Fiscal Year 2024 Agency Financial Report

U.S. DEPARTMENT OF EDUCATION

U.S. Department of Education
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U.S. Secretary of Education

Office of Finance and Operations
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Acting Assistant Secretary Delegated the Duties of the Chief Financial Officer
U.S. Department of Education

November 14, 2024

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For fiscal year 2024, in addition to the *Agency Financial Report* (AFR), the Department will post to its website the *Annual Performance Report and Annual Agency Performance Plan* (Report and Plan). This Report and Plan and the Congressional Budget Justification will be posted on the Department's website at **http://www.ed.gov/about/reports/annual/index.html** with the FY 2026 budget.

Please submit your comments and questions regarding this report, and any suggestions to improve its usefulness to **AFRComments@ed.gov** or write to:

Office of Finance and Operations
U.S. Department of Education
Washington, DC 20202-0600

About This Report

The purpose of the U.S. Department of Education's (Department's) fiscal year (FY) 2024 *Agency Financial Report* (AFR) is to inform Congress, the President, other external stakeholders, and the American people on how the Department used the federal resources entrusted to it to advance the mission of the Department to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. The Department accomplishes its mission and the related strategic goals and objectives by administering programs that range from preschool education through postdoctoral research; enforcing civil rights laws to provide equal access and treatment; and supporting research that examines ways that states, schools, districts, and postsecondary institutions can improve America's education system. As evidenced by the information contained in this AFR, the Department has demonstrated that it is a good steward of financial resources and has put in place adequate business and financial management systems, processes, and practices.

The AFR also provides high-level financial and performance highlights, assessments of controls, a summary of challenges, and a demonstration of the Department's stewardship. This report is required by legislation and complies with the requirements of the Office of Management and Budget's Circulars A-11, *Preparation, Submission, and Execution of the Budget*; A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*; and A-136, *Financial Reporting Requirements*.

Federal Student Aid (FSA), a principal office of the Department and a designated Performance-Based Organization, produces a separate Annual Report that details its financial and program performance. Summary level information about FSA activities can be found in the applicable sections of this report. For more detail on FSA's performance and financial information, refer to **www.StudentAid.gov**.

How This Report Is Organized

The AFR is designed to focus on the use of federal resources provided to or distributed by the Department to support its mission, with an emphasis on the challenges ahead.

Management's Discussion & Analysis (Unaudited)

This section provides information about the Department's mission and organizational structure as well as its high-level performance results, financial highlights, management assurances regarding internal controls, and forward-looking information.

Financial Section (Unaudited)

This section provides a message from the chief financial officer, the Consolidated Balance Sheet and related notes, and the report from the independent auditors.

Other Information (Unaudited)

This section provides the unaudited financial statements and related notes, required supplementary information, the Office of Inspector General's Management and Performance Challenges for FY 2025, a summary of financial statement audit and management assurances, *Payment Integrity Information Act* reporting details, civil monetary penalty adjustment for inflation, Climate Related Financial Risk, and the *Grants Oversight and New Efficiency Act of 2016* and grant closeout process reporting.

Appendices (Unaudited)

This section provides a listing of selected Department web links, education resources, and a glossary of acronyms and abbreviations.

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Message From the Secretary

November 14, 2024

The U.S. Department of Education (Department) is proud to present this summary of the Department's major fiscal year (FY) 2024 accomplishments. Throughout the past year, the Department has focused on substance, not sensationalism in our approach to raising the bar for educational excellence and equity nationwide. This approach has delivered results, not rhetoric, for our nation's students and families, educators and schools, institutions, and communities.

This letter highlights the significant progress we have made to fight for public education, details the vital investments proposed in the FY 2025 budget, and underscores the impactful use of the American Rescue Plan (ARP) and other critical funds to enhance outcomes for students across the educational spectrum.

Education has always been and will continue to be the foundation of our nation's future strength and opportunity. And, while we recognize we still have a long way to go, we have made significant strides this past fiscal year in ensuring that every student in America has access to the high-quality education they deserve.

Last year, the Department called on the education community to transform education and unite around what truly works, based on decades of experience and research and a firm commitment to a quality instructional core with great educators at the forefront. This vision continues to guide our efforts, driving us toward a future where academic excellence, improved learning conditions, global engagement, college affordability, and multilingualism are attainable realities for all students. As we look ahead to FY 2025, our budget proposal reflects a continuation and expansion of these priorities, aiming to secure the necessary resources to build on the progress we have achieved.

To raise the bar, we must fundamentally shift how we invest in and provide for our nation's students. Over the past fiscal year, our call to action – "Raise the Bar: Lead the World" – has provided states, districts, and schools with the tools, resources, and support necessary to advance four key focus areas.

The first focus area, **Achieving Academic Excellence**, has driven significant efforts to accelerate learning and support rigorous educational opportunities for all students.

In FY 2024, we focused on ensuring that federal funds and resources were deployed effectively to improve student learning. This included providing technical assistance and grants to expand access to rigorous instruction in core subjects such as math and literacy.

We have also made substantial progress in recovering from the pandemic's impact on student learning. Most notably, we have regained one-third of the pandemic-era learning loss in math and one-fourth in reading. Our efforts have resulted in twice as much growth in math and five times as much growth in reading compared to a typical year. The improvements made among Black students and students in the most economically disadvantaged districts are particularly encouraging.

To build on this momentum, the President's FY 2025 budget includes a new $8 billion proposal aimed at accelerating academic achievement through evidence-based strategies. These funds would help Title I and Title I-eligible schools — including those in an improvement status and especially hard hit by the COVID-19 pandemic — to improve opportunities and outcomes for underserved students through a variety of proven approaches.

Additionally, the budget calls for $18.6 billion in Title I funding to help close achievement gaps and sustain academic recovery, $15.7 billion in Individuals with Disabilities Education Act (IDEA) funding to support students with disabilities, and a new $25 million investment in school readiness through expanded preschool programs. The request also includes critical updates to ensure states have the resources they need to effectively administer the Title I program and ensure every student receives an excellent education.

The next focus area, **Boldly Improving Learning Conditions**, recognizes that academic success is closely tied to their learning environment. In FY 2024, we redoubled our efforts to eliminate educator shortages and invest in students' mental health and well-being.

Since 2022, 30 states and the District of Columbia have taken action to increase teacher pay, a crucial step in addressing the educator shortage. We have also seen a significant increase in the number of mental health professionals in schools, with a **43 percent increase in social workers, a 23 percent increase in school nurses, and a 3 percent increase in school counselors**.

We have also made remarkable progress in enhancing mental health services for students and educators. More than $571 million to date in mental health funding has been awarded since the Bipartisan Safer Communities Act, projected to support **14,000** new mental health professionals in schools across the nation. The Department has awarded grants to 264 grantees in 48 states and the District of Colombia, significantly expanding access to school-based mental health services.

The President's FY 2025 budget proposes $200 million for Full-Service Community Schools (an increase of $50 million over FY 2024 enacted levels), $40 million for school-based mental health services, $8 million for Project Prevent to address community violence, and nearly $3 billion for educator preparation, development, and leadership. These investments are crucial to our efforts to build a diverse, well-prepared teacher pipeline and expand the reach of Medicaid, physical, and mental health services in schools.

To further prepare our students for success, our high schools should evolve to meet the college and career demands of the future. Our third focus area, **Creating Pathways for Global Engagement**, supports our goal of rejecting a "four-year college or bust" mentality in our nation and giving students more options to achieve rewarding lives and careers.

In FY 2024, we focused on ensuring that every student has a pathway to college and career, as well as expanding opportunities for multilingual learning. Years of evidence make clear: multilingualism is a superpower that makes our country stronger and our economy more competitive, and our nation's English learners have a vital asset in their knowledge of another language. To ensure every student can learn a new language, we invested in programs that support English learners, build multilingual teacher pipelines, and promote world language instruction.

The President's FY 2025 budget includes $940 million for English learner supports, an increase of more than $50 million from last year's request. This vital investment would not only strengthen the capacity for schools to meet the needs of English Learners and their teachers, but it would also provide $75 million to build multilingual teacher pipelines and provide professional development in multilingual education.

To enhance career and technical education, we invested in strong workforce pathways, starting in middle and high school. Specifically, we expanded access to high-quality training programs in partnership with the Departments of Labor and Commerce and launched initiatives such as the Career Z and Your Place in Space Challenge. Additionally, we awarded $25 million to 19 grantees across 17 states and the District of Columbia for Career Connected High Schools, which supports early enrollment in postsecondary and work-based learning opportunities.

Additionally, our budget request for FY 2025 includes $1.5 billion for Career and Technical Education (CTE) state grants, a $30 million increase from FY 2024. This investment would enhance workforce development and build the capacity of existing CTE programs. We are also requesting a $57 million investment in the Career Connected High Schools program to redesign our high schools to build career and college pathways that align with our postsecondary education system.

The last focus area of the Raise the Bar initiative, **Increasing College Affordability and Completion**, remains a top priority for this administration. For far too many in our nation, higher education seems out of reach – not because of a lack of ability or interest, but because of unacceptable costs and complexity. That's why, in FY 2024, we made significant progress in the fight to fix a broken system, increasing financial aid, improving degree completion rates, and delivering student loan debt relief.

To achieve this, we continue our unwavering support for inclusive institutions that routinely punch above their weight, particularly Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority-Serving Institutions (MSIs). These investments are crucial for expanding capacity at many of our nation's most inclusive and diverse colleges and for closing equity gaps in higher education.

Reforming the student loan system is also critical to achieving this goal. To support this, the Department has delivered historic debt relief to nearly **5 million borrowers, totaling $170 billion**.

The President's FY 2025 budget calls for an $8,145 maximum Pell Grant, a $750 increase above the current level, and a new $12 billion proposal to create state partnerships for dual enrollment and lower college costs. Additionally, the budget includes $262 million to improve postsecondary attainment, degree completion, and student success, and $1.1 billion in institutional aid for HBCUs, TCUs, and MSIs and Low-Resourced Institutions.

The Department continues to make stewardship of taxpayer funds a priority. The Department can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024, except for the material weakness related to the subsidy estimate for the Department's Direct Loan (DL) and Federal Family Education Loan (FFEL) student loan portfolios. Additionally, the Department's related Annual Performance Report and Annual Agency Performance Plan (Report and Plan) provide information on the overall performance of the Department as a federal agency. Each year this Report and Plan accompany the Department's annual budget submission and links performance goals with resources for achieving targeted levels of performance.

This year, the independent auditor issued a disclaimer of opinion on the Department's FY 2024 balance sheet. Additionally, the auditors' internal control report identified one material weakness, "Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement." The Department will develop and implement additional corrective action strategies to address the issues highlighted in the FY 2024 audit report. We remain committed to continually evaluating our programs, current business processes, and our internal controls for improvement opportunities in FY 2025 and beyond.

In FY 2024, we made great progress in achieving academic excellence, improving learning conditions, creating pathways for global engagement, and increasing college affordability. The President's FY 2025 budget builds on this success, proposing critical investments that will continue to strengthen education in America so that the students of today will be prepared for the rewarding lives and careers of tomorrow.

Moving forward, the Department will continue to do whatever it takes to provide every student with the opportunities they need to succeed. Working together, we can, and we will, continue to raise the bar for education in our nation.

Miguel A. Cardona, Ed.D.
U.S. Secretary of Education

Debt Relief Actions Announced by the Biden-Harris Administration

Total Estimated Debt Relief: $170.1 billion

$69.2 billion
PUBLIC SERVICE LOAN FORGIVENESS

The Department took actions to improve the Public Service Loan Forgiveness (PSLF) program, including helping borrowers earn progress toward PSLF and simplifying criteria to help borrowers certify qualifying employment.

$51.0 billion
INCOME-DRIVEN REPAYMENT PLAN DISCHARGES

The Department improved the Income-Driven Repayment (IDR) plan, including actions to fix historical inaccuracies in the IDR count system for borrowers who earned forgiveness.

$28.7 billion
BORROWER DEFENSE DISCHARGES

The Department approved borrower defense and school closure discharges for borrowers whose institutions took advantage of them.

$5.5 billion
SAVE PLAN DISCHARGES

The Department created the most affordable payment plan ever for low and middle income borrowers—the Saving on a Valuable Education (SAVE) plan.

$14.1 billion
TOTAL AND PERMANENT DISABILITY DISCHARGES

The Department provided relief for borrowers who have a total and permanent disability.

$1.6 billion
HBCU CAPITAL FINANCE DEBT DISCHARGES

The Department provided debt relief to 45 HBCUs—13 public institutions and 32 private institutions to enable these institutions to focus their resources on supporting students, faculty, and staff during the COVID-19 national emergency.

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Management's Discussion & Analysis

(Unaudited)

About the Management's Discussion and Analysis

The U.S. Department of Education (Department) continued to enhance the content quality, report layout, and public accessibility of the fiscal year (FY) 2024 Agency Financial Report (AFR) by refining graphics and providing more useful, balanced, and easily understood information about the debt relief, COVID-19 funding relief bills and the Department's loan programs, including additional cost and risk information.

The Department also chose relevant web content to provide users with more information about the Department's operations and performance. To take advantage of the hyperlinks embedded in the report, the Department recommends reading it **on the Internet**. To continue to improve the quality and utility of information provided in the AFR, the Department encourages the public and other stakeholders to provide feedback and suggestions at **AFRComments@ed.gov**.

This section highlights information on the Department's performance, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address specific challenges.

Mission and Organizational Structure

This section provides information about the Department's mission, an overview of its history, and its structure. The active links include the organization chart and principal offices and a link to the full list of **Department offices** with a description of selected offices by function.

The Department's Approach to Performance

This section provides a summary of the Department's performance goals and results for FY 2024. Since the Department has chosen to produce separate financial and performance reports, a detailed discussion of performance information for FY 2024 will be provided in the Department's *FY 2024 Annual Performance Report and FY 2026 Annual Agency Performance Plan* to be released online at the same time as the President's *FY 2026 Budget of the United States Government* (President's Budget) in February 2025. For more information, prior year performance reports can be found on the Department's website. The Department also urges readers to seek programmatic data as it is reported in the Congressional Budget Justification, as well as on the web pages of individual programs. Any questions or comments about the Department's performance reporting should be emailed to **PIO@ed.gov**. For more details on performance, please refer to the Department's budget and performance web page at **www.Performance.gov**.

Financial Highlights

This section provides summarized information and analyses about the Department's assets, liabilities, net position, sources and uses of funds, program costs, and related trend data. It provides a high-level perspective of the detailed information contained in the financial statements and related notes and an analysis of key financial statement changes.

Analysis Of Systems, Controls, and Legal Compliance

The Department's internal control framework and its assessment of controls, in accordance with Office of Management and Budget (OMB) Circular A-123, ***Management's Responsibility for Enterprise Risk Management and Internal Control***, provide assurance to Department leadership and external stakeholders that financial data produced by the Department's business and financial processes and systems is complete, accurate, and reliable.

Forward-Looking Information

The Forward-Looking Information section describes the challenges that the Department aims to address to achieve progress on Direct Loans, Next Generation Federal Student Aid (Next Gen FSA), Leveraging Data as a Strategic Asset, and the G5 modernization.

About the Department

Our Mission

The U.S. Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

Who We Are. In 1867, the federal government recognized that furthering education was a national priority and created a federal education agency to collect and report statistical data. The Department was established as a cabinet-level agency in 1980. Today, the Department supports programs in every area and level of education from preschool through postdoctoral.

The **Department** makes funds and information available to individuals pursuing an education, colleges and universities, state educational agencies, and school districts by engaging in four major categories of activities:

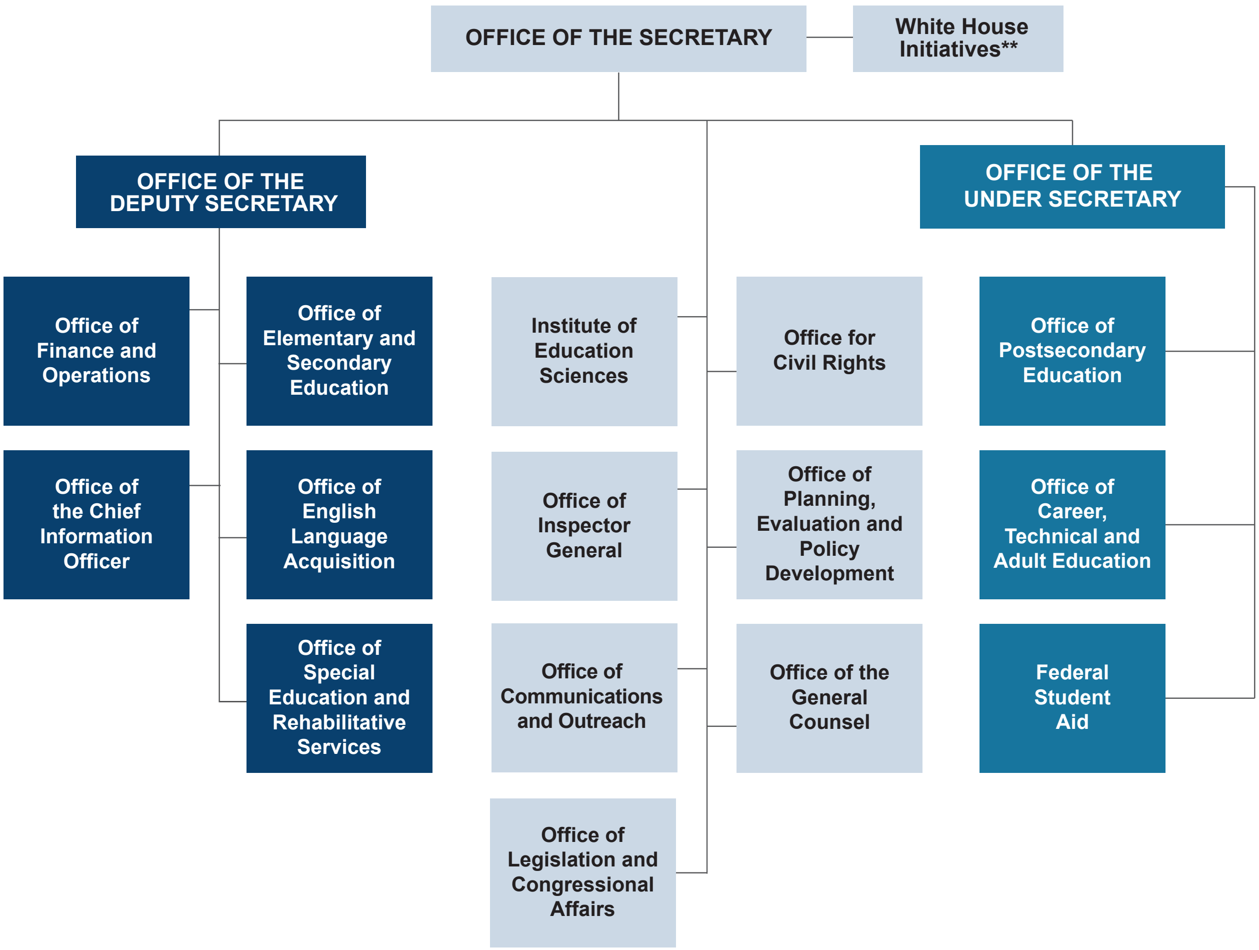
- Establishing policies related to federal education funding, including distributing funds, collecting on student loans, and using data to monitor the use of funds.
- Supporting data collection and research on America's schools.
- Identifying major issues in education and focusing national attention on them.
- Enforcing federal laws promoting equal access and prohibiting discrimination in programs that receive federal funds.

Our Public Benefit. The Department executes the laws passed by Congress to promote student academic achievement and preparation for global competitiveness. The Department works with students, parents, educational institutions, school districts, and states to foster educational excellence and ensure equal access to a high-quality education for all students. While recognizing the primary role of states and school districts in providing high-quality education, the Department is committed to helping ensure students throughout the nation develop skills to succeed in school, pursue postsecondary options, and transition to the workforce. The Department's vision is to improve educational outcomes for all students.

Many of the Department's programs involve awarding grants to state and local educational agencies and providing grants and loans to postsecondary students. The Department's largest outlays are for its portfolio of student loans (see the Financial Highlights and Notes sections). Grant programs constitute the second-largest driver of outlays. The grant programs include student aid to help pay for college through Pell Grants, Work-Study, and other campus-based programs; grants awarded based on statutory formulas mostly for elementary and secondary education; and competitive grant programs to promote innovation. The Department also supports research, collects education statistics, and enforces civil rights laws. The Department manages and spends financial resources on programs designed to support parents, teachers, principals, school leadership, institutions, and states in the pursuit of instilling knowledge and transferring skills to students.

The Department in Fiscal Year 2024

This chart reflects the coordinating structure of the U.S. Department of Education.*



* This coordinating structure was provided in FY 2023

** The White House Initiatives are: Office of Faith-Based and Neighborhood Partnerships; White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Native Americans and Strengthening Tribal Colleges and Universities; White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Hispanics; White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans; and White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity through Historically Black Colleges and Universities.

The Department's Approach to Performance

Performance Management Framework

In accordance with the *GPRA Modernization Act of 2010*[1], the Department's framework for performance management begins with the ***Strategic Plan***, which serves as the foundation for establishing and implementing priorities, highlighting performance goals and objectives, and developing performance indicators to gauge progress and outcomes. Progress toward the Department's strategic goals and its two-year Agency Priority Goals (APGs) are measured using data-driven review and analysis. Additional information on performance management is available in the *Annual Performance Plans and Annual Agency Performance Reports*.[2]

The ***FY 2022–2026 Strategic Plan*** is comprised of five Strategic Goals and four **FY 2024 – 2025 APGs**. The *Strategic Plan* aims to address administration priorities, such as addressing recovering from the coronavirus disease 2019 (COVID-19) pandemic; ensuring high-quality, equitable secondary and postsecondary education; and providing diverse learning environments for all students, especially those who have been underserved. Each supporting strategic objective has corresponding performance indicators to assess the Department's progress on achieving the Strategic Goals and objectives. For additional information about Performance Management at the Department, visit **ED Strategic Plans and Annual Reports** or email **PIO@ed.gov**.

FY 2022–26 Strategic Goals and Strategic Objectives

Strategic Goal 1: Promote equity in student access to educational resources, opportunities, and inclusive environments.	
Strategic Objective 1.1	Prioritize the equitable and adequate distribution of resources to communities of concentrated poverty, in an effort to provide underserved students with high-quality educational opportunities.
Strategic Objective 1.2	Ensure all students have access to well-rounded, rigorous, engaging, and diverse learning opportunities and environments to support their success in school.
Strategic Objective 1.3	Support states, school districts, and institutions of higher education to promote and protect students' nondiscriminatory and equal access to education, as provided by Federal civil rights laws.
Strategic Objective 1.4	Promote greater access and supports for youth and adults to engage in learning, succeed in postsecondary education, and increase their employability in high-demand occupations.

Strategic Goal 1 focuses on outcomes related to improving and promoting educational equities for all students through adequate resources, opportunities, and supports. In FY 2024, $49.23 billion was appropriated to the Department in support of Strategic Goal 1.

The Department of Education distributed more than $122 billion in ARP funds to all 50 states, the District of Columbia, and Puerto Rico to help K-12 schools reopen, stay open, and address lost instructional time and students' needs. The Department has been focused on assisting states and districts in achieving academic recovery and excellence for every

1 *GPRA Modernization Act of 2010* amends the Government Performance and *Results Act of 1993* (GPRA).

2 The FY 2024 Statement of Net Cost and related notes align with the FY 2022–26 Strategic Plan.

child in school. The Department has provided tools, resources, and guidance that support innovative teaching and learning models; promote individual and small-group support for students, such as high-intensity tutoring; increase access to strong science, technology, engineering, math (STEM) and arts education; improve funding for education; promote more equitable student disciplinary practices; and expand access to summer learning, enrichment, and afterschool programs.

The Department works with states to provide technical assistance in using over $18 billion in **Title I funding** to support key priorities, such as increasing academic achievement, supporting students’ mental health, expanding access to preschool, and strengthening teacher recruitment and retention. The Strategic Planning for Continued Recovery (SPCR) initiative, managed by the National Comprehensive Center, supports state educational agencies (SEAs) as they work with their local educational agencies (LEAs) to sustain effective investments funded by the Elementary and Secondary School Emergency Relief (ESSER). The SPCR provided varied supports designed to meet the unique needs of states and districts including six strategy webinars which more than 37 SEAs attended, eight individual consultations, four cross-SEA collaboration sessions, and three conference convenings.

Through $1.3 billion in Title IV, Part B funding, the Department funds the creation and expansion of 21st Century Community Learning Centers and before- and after-school and summer programs that help to create environments where students can develop meaningful connections with their peers and adults that extend beyond the traditional classroom setting and that support positive academic outcomes.

The Department’s Student Engagement and Attendance Center (SEAC) is a dedicated resource for state and local educational agencies as they work to identify evidence-based practices for reducing rates of chronic absenteeism and promoting regular in-school attendance. SEAC offers peer learning opportunities for state and local leaders, delivers webinars and other training featuring nationally recognized content experts, and highlights effective data collection strategies and practices for improving student attendance.

The Department released new grant opportunities to improve student achievement, including the Comprehensive Literacy State Development program; Education Innovation and Research (EIR); and Comprehensive Centers program. The EIR provides $250 million in funding to create, develop, implement, and replicate evidence-based solutions that accelerate student achievement. The Notice Inviting Applications included a Competitive Preference Priority focused on addressing the impact of the COVID-19 pandemic, which could include steps to address chronic absenteeism.

Strategic Goal 2: Support a diverse and talented educator workforce and professional growth to strengthen student learning.	
Strategic Objective 2.1	Strengthen and diversify the educator pipeline and workforce.
Strategic Objective 2.2	Identify and promote evidence-based practices or strategies that support diverse districts (including rural districts) with high rates of poverty in recruiting, selecting, preparing, and retaining well-qualified (including in-field fully certified) and effective teachers, principals, paraprofessionals, and specialized instructional support personnel.
Strategic Objective 2.3	Support the professional growth, retention, and advancement of talented, experienced educators and other school personnel and their capacity to meet the social, emotional, mental health, and academic needs of underserved students.

Strategic Goal 2 focuses on outcomes related to supporting and increasing diversity and talent in the educator workforce and professional growth. Every student should have access to high-quality, well-prepared, well-supported educators who reflect the diversity of the students they serve. In FY 2024, $35.71 billion was appropriated to the Department in support of Strategic Goal 2.

Unfortunately, due to the pandemic, from February to May 2020, the economy lost an estimated 730,000 local public education jobs—9 percent of all education jobs. Historic investments from the American Rescue Plan provided states and school districts with resources used to eliminate teacher shortages and diversify the educator workforce. **As a result of these efforts**, there are now more people working in public schools than before the pandemic, including 40 percent more social workers and 25 percent more nurses, providing critical supports to students that also help lessen burdens on teachers.

The Department is providing $8.4 million through the **National Professional Development Program** to support pre-service training programs for teachers, paraprofessionals, administrators, and aspiring educators, including high school students, who want to become fully certified as bilingual or multilingual educators. To ensure special education personnel have the knowledge and skills to provide evidence-based instruction and services to children with disabilities, the Department is providing over $4 million in new awards for the **State Personnel Development Grants Program**.

The Department is also investing $70 million in high-quality teacher preparation programs, such as residencies and grow-your-own programs by awarding up to 20 additional grants for the **Teacher Quality Partnership** program. The latest competition includes priorities for applications that increase educator diversity and focus on grow-your-own and Registered Apprenticeship Programs for teachers, aligned with high-quality design principles.

The Department of Education is continuing its partnership with the **Department of Labor** and its work with national education organizations to expand the use of high-quality **registered apprenticeship programs** for teachers. As of September 2024, registered apprenticeship programs for teachers are authorized in 38 states, District of Columbia, and Puerto Rico and enroll more than 2,900 apprentices. There were no registered teacher apprenticeship programs at the beginning of the Administration in 2021.

Strategic Goal 3: Meet students' social, emotional, and academic needs.	
Strategic Objective 3.1	Support the development and implementation of multitiered systems of supports to increase students' engagement; social, emotional, and mental health; well-being; and academic success.
Strategic Objective 3.2	Foster supportive, inclusive, and identity-safe learning environments and ensure the individual needs of underserved students are met through appropriately designed instruction, evidence-based practices, and related supports and services.
Strategic Objective 3.3	Strengthen learning environments, support professional development, and improve educator credentialing for emergent bilingual students and multilingual learners.

Strategic Goal 3 focuses on meeting students' social, emotional, and academic needs. Learning and development across a student's life span are influenced by several interrelated factors, including the individual's social, emotional, academic, and career development. In FY 2024, $21.45 billion was appropriated to the Department in support of Strategic Goal 3.

The Department is committed to working with state and local leaders to grow the knowledge and skills of professionals currently in schools, expand the supply of mental health professionals who can work with students, and increase access to funding through the Medicaid program to support school health services, including mental health services. The ESSER fund enabled states to use approximately $1 billion to support the mental health and overall well-being of students and school staff across the country, according to calculations by the Council of Chief State School Officers' **COVID Relief Data Project**.

The Department has provided guidance, oversight, and technical assistance to states to implement efforts supported by $2 billion in funding through **Stronger Connections** grants, the **School-Based Mental Health Services** program, and the **Mental Health Service Professional Demonstration** program under the *Bipartisan Safer Communities Act* (BSCA). There has been $571 million in awards already made in these programs through Department appropriations and the largest-ever expansion of K-12 mental health programs through BSCA. To date, the Biden-Harris Administration has made awards to 264 grantees across 48 states and territories to strengthen the pipeline and increase the number and diversity of school-based mental health professionals – with funding projected to help train and hire an additional 14,000 mental health professionals to support students and address their mental health needs. Nearly half of Mental Health Service Professional Demonstration awardees included a partnership with a Minority Serving Institution, Historically Black College or University, or Tribal College.

The Department continues to advocate and promote the need for effective, high-quality professional development under the Title II, Part A program, for example, and positive student engagement through Full-Service Community Schools and other programs. The **Full-Service Community Schools program** has provided investments in integrated health, education, and other comprehensive services to more than **2,000 schools**, serving almost 1 million students, compared to 170 schools before 2021.

To expand equitable access to a high-quality education to all English learners, the Department is developing and implementing processes that enhance oversight for the civil rights protections of English learners, funding for English learner services, and promoting evidence-based practices to address the barriers that English learners can encounter in education. The **Title III** program has provided $890 million for states, the District of Columbia, and Puerto Rico to help improve the education of English learners and immigrant youth. The Department's **National Professional Development Program** is **supporting 44 colleges and universities** to deliver professional learning for teachers of English learners, with a focus on school readiness and early childhood development. **The National Clearinghouse for English Language Acquisition** has disseminated more than **25,000 resources to the field**, including briefs, fact sheets, toolkits, podcasts, and other information to serve multilingual learners and highlight their needs.

Strategic Goal 4: Increase postsecondary value by focusing on equity-conscious strategies to address access to high-quality institutions, affordability, completion, post-enrollment success, and support for inclusive institutions.	
Strategic Objective 4.1	Support educational institutions and state systems in efforts to raise academic quality and college completion for all students, especially for underserved students, such as first-generation students, students from low-income backgrounds, students of color, and students with disabilities.
Strategic Objective 4.2	Improve the administration of student aid programs to help eligible students receive aid; support borrowers in successfully repaying their loans, claiming loan forgiveness benefits, and mitigating student loan default; and hold contractors accountable.
Strategic Objective 4.3	Increase equitable access to secondary and postsecondary programs that have clear on-ramps to both high-quality jobs and additional high-quality postsecondary educational opportunities.
Strategic Objective 4.4	Improve the alignment across secondary, postsecondary, and career and technical education programs, including through transparent and effective transition processes, inclusive pathways, and clear credentialing requirements.

Strategic Goal 4 focuses on increasing the value of postsecondary education by addressing access, affordability, and degree and credential completion. This includes aligning our education and workforce systems to create college and career pathways that lead to industry-recognized credentials and opportunities to secure in-demand jobs. In FY 2024, $144.58 billion was appropriated to the Department in support of Strategic Goal 4.

The Department has leveraged grant programs and other resources to support institutions in improving student outcomes, recognizing institutions promoting success for all students, and making strategic investments to scale what works for students. The Department also awarded more than **$46 million to 107 institutions** under the Strengthening Institutions Program (SIP), designed to help eligible institutions expand their capacity to serve students with low incomes by providing funds to improve. The Child Care Access Means Parents in School grant program provided more than **$13 million in grants to 34 institutions** of higher education to support or establish high quality, campus-based child care programs to meet the needs of student parents with low incomes enrolled on their campuses.

The Research and Development Infrastructure program provided $48.6 million in grant awards to 11 HBCUs, Tribally Controlled Colleges and Universities (TCCUs), and MSIs to transform their research infrastructure, including strengthening research productivity, faculty expertise, physical infrastructure, and partnerships leading to increases in external funding.

In FY 2024, the Postsecondary Student Success Grant program awarded 17 grants totaling $90.6 million to improve postsecondary student outcomes, including retention, transfer, credit accumulation, and completion, by leveraging data and implementing, scaling, and rigorously evaluating evidence-based approaches.

The Department has approved a total of $170 billion in debt relief for nearly 5 million borrowers through various actions, including account adjustments for borrowers on IDR plans, PSLF, borrower defense claims, and closed school discharges. Since loan payments resumed, more than 12.7 million borrowers have more affordable IDR plans (compared to 8.2 million in 2019).

As part of the **FAFSA College Support Strategy**, the Department provided $50 million in new funding to help grow capacity for organizations to expand the availability of advisers, counselors, and coaches to support students and contributors to complete their Free Application for Federal Student Aid (FAFSA) form.

The Department partners with the Departments of Labor and Commerce to engage and mobilize employers and build strong education-to-employment strategies, policies, and programs aligned to regional economic needs. The **Unlocking Career Success interagency initiative** aims to reimagine how our nation's high schools prepare all students to thrive in their future careers by blurring the lines between high school, college, and careers. This initiative promotes career advising and navigation so that students can make informed decisions about life after high school; paid work-based learning programs that connect academic learning to real-world applications; exposure to different career fields and **dual enrollment** opportunities, which allow high school students to take a college course and earn both high school and college credit; and the opportunity to earn workforce credentials.

Strategic Goal 5: Enhance the Department's internal capacity to optimize the delivery of its mission.	
Strategic Objective 5.1	Manage information technology as a strategic resource and driver to promote the advancement of the missions executed by the Department's 21st-century workforce.
Strategic Objective 5.2	Strengthen agency-wide data governance and build capacity to improve data access, data management, and enterprise data analytics in support of agency goals.
Strategic Objective 5.3	Recruit, retain, and develop the workforce needed to meet the Department's mission now and into the future.
Strategic Objective 5.4	Deliver mission outcomes and value for taxpayers through efficient acquisition management and proactive industry partnerships while promoting small businesses.

Strategic Goal 5 is focused on continuously improving agency operations as the Department manages, engages, and empowers the workforce; purchases products and services; enhances and secures information technology resources; and leverages data to support evidence-based decision-making. In FY 2024, $70 million was appropriated to the Department in support of Strategic Goal 5.

The Department has been recognized nationally for its cybersecurity and information technology advancements. The Department again received awards in 2024 for the Cybersecurity Symposium site; cybersecurity blog for Cybersecurity Bits and Bytes; and Training Awareness for best immersive web-based training from the Federal Information Security Educators Association.

Information technology security was identified as a top management challenge in 2024, and the Department has made great strides in strengthening cybersecurity, reliability, and privacy protections. In 2024, the Department received an overall *Federal Information Security Modernization Act of 2014* (FISMA) assessment of "Effective," or a Level 4 Cybersecurity Maturity Level. These are record scores and achievements for the Department to date.

The Department's new Artificial Intelligence (AI) policy aligns with AI Executive Order 14110, which implements an AI governance structure, and the Department has begun collecting numerous use cases. The Department is also developing an AI Technology Modernization Fund request.

In 2024, the Department focused on increasing and improving pre-collection technical assistance efforts designed to aid Education Stabilization Fund grantees and ensure accurate and timely reporting. This included annotated data collection forms, prefilled reporting templates, data dictionaries, updated business rule guides, and grantee Annual Performance Report (APR) checklists.

Strategic Goal 5 also prioritizes reducing potential procurement barriers and increasing procurement opportunities for small, underserved, and disadvantaged businesses.
The Department exercised the option to conduct the implementation phase of the Department's Acquisition Management System contract. The Office of Business Support Services also continues to utilize the robotic process automation tool or "bot" to automatically close out over 50 percent of expired but open contracts in Contracts and Purchasing Support System (CPSS) awards.

The Department's Agency Priority Goals

The Department identified four Agency Priority Goals (APGs) for FY 2024 and FY 2025 to support efforts to eliminate educator shortages, invest in student's mental health and well-being, promote affordable student loan repayment options, and accelerate academic recovery and learning. Quarterly APG status reports are **available online**.

APG 1	**Support states and local agencies in their efforts to eliminate educator shortages at every school.** The Department of Education will support states and local education agencies in eliminating educator shortages at every school including through more effective teacher recruitment, preparation, and retention efforts. By September 30, 2025, the Department's efforts will have supported the creation of registered teacher apprenticeship programs in 35 states and doubled enrollment levels, relative to spring 2023, to more than 3,000 apprentices.
Related Strategic Objectives	**Strategic Objective 2.1:** Strengthen and diversify the educator pipeline and workforce. **Strategic Objective 2.2:** Identify and promote evidence-based practices or strategies that support diverse districts (including rural districts) with high rates of poverty in recruiting, selecting, preparing, and retaining well-qualified (including in-field fully certified) and effective teachers, principals, paraprofessionals, and specialized instructional support personnel.
APG 2	**Support states and local agencies as they invest in every student's mental health and well-being.** The Department of Education will support states and local educational agencies as they invest in every student's mental health and well-being. By September 30, 2025, the Department will implement 25 Lessons from the Field webinars to share State educational agency (SEA), local educational agency (LEA), and school best practices and evidence-based approaches to addressing the social, emotional, and mental health needs of PK–12 students and staff and implement 1,250 high-impact activities or services to assist parents in improving mental health and well-being in their children.
Related Strategic Objective	**Strategic Objective 3.1:** Support the development and implementation of multitiered systems of supports to increase students' engagement; social, emotional, and mental health; well-being; and academic success.
APG 3	**Empower students and families with financial aid information and tools that help reduce monthly payments and delinquency.** By September 30, 2025, all benefits of the SAVE Income Driven Repayment (IDR) plan will be fully available to all eligible borrowers and FSA will establish metrics that will monitor and track borrowers' ability to select student loan repayment plans that contribute to a reduced risk of delinquency.
Related Strategic Objective	**Strategic Objective 4.2:** Improve the administration of student aid programs to help eligible students receive aid; support borrowers in successfully repaying their loans, claiming loan forgiveness benefits, and mitigating student loan default; and hold contractors accountable.
APG 4	**Expedite academic recovery and accelerate learning for every student.** The Department of Education will continue to give states and districts the supports they need to bring student learning back to – and beyond – pre-pandemic levels. By September 30, 2025, 75% of schools serving majority high need students will continue to offer academically focused summer learning or enrichment programming.
Related Strategic Objective	**Strategic Objective 1.2:** Ensure all students have access to well-rounded, rigorous, engaging, and diverse learning opportunities and environments to support their success in school.

Financial Highlights

This section provides summarized information and analyses about the Department's assets, liabilities, net position, sources and uses of funds, program costs, and related trend data. It also provides a high-level perspective of the detailed information contained in the financial statements and related notes. A summary of significant changes in financial statement line-item balances is provided in Table 1.

The Department's financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States for federal agencies issued by the Federal Accounting Standards Advisory Board and the format and content specified by Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The Consolidated Balance Sheet, related notes, and underlying business processes, systems, and controls are audited by an independent accounting firm with audit oversight provided by the Office of Inspector General (OIG). The Consolidated Balance Sheet and related notes for FY 2024 are presented in the Financial Section. The Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, and related notes are presented in the Other Information section. The Consolidated Balance Sheet and related notes for FY 2024

Table 1. Key Financial Statement Changes
(Dollars in Billions)

Financial Statement Lines with Significant Changes	Amount		Total Changes		Changes Due to COVID-19	
	FY 2024	FY 2023	Amount	Percentage	Amount	Percentage
Balance Sheets						
Fund Balance with Treasury	$ 199.7	$ 244.0	$ (44.3) ↓	-18.2%	$ (55.7) ↓	-22.8%
Subsidy Due to Treasury	14.9	1.6	13.3 ↑	831.3%	- →	0.0%
Loan Guarantee Liabilities	9.9	11.2	(1.3) ↓	-11.6%	- →	0.0%
Accrued Grant Liabilities	9.4	5.1	4.3 ↑	84.3%	- →	0.0%
Statements of Net Cost (Net Program Costs)						
Increase Postsecondary Value by Focusing on Equity Strategies to Address Access to Affordability, Completion, and Post-Enrollment Success	117.2	(58.6)	175.8 ↓	-300.0%	294.5 ↓	-502.6%
Statements of Budgetary Resources						
Appropriations (Discretionary and Mandatory)	218.3	254.7	(36.4) ↓	-14.3%	(38.1) ↓	-15.0%
Borrowing Authority (Discretionary and Mandatory)	136.2	472.7	(336.5) ↓	-71.2%	- →	0.0%
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	106.0	70.5	35.5 ↑	50.4%	- →	0.0%
New Obligations and Upward Adjustments (Total)	451.1	776.9	(325.8) ↓	-41.9%	(38.2) ↓	-4.9%
Unobligated Balance, End of Year (Total)	62.5	73.3	(10.8) ↓	-14.7%	0.1 ↑	0.1%
Outlays, Net	273.1	306.5	(33.4) ↓	-10.9%	(47.9) ↓	-15.6%
Distributed Offsetting Receipts	(5.2)	(347.6)	342.4 ↓	-98.5%	- →	0.0%

are on pages 70–89, the Independent Auditors' Report begins on page 90, and the Other Information section begins on page 105.

The financial statements are prepared to report the financial position and results of operations of the reporting entity, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the Department's books and records in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the understanding that they are for a component of the U.S. government.

Financial Statement Impacts of Debt Relief Actions

During FYs 2022, 2023, and 2024, the Department announced significant actions to provide relief to federal student loan borrowers, including the student loan repayment pause (which ended August 31, 2023), and several targeted debt forgiveness actions. Targeted debt relief actions announced or taken during FY 2024 include:

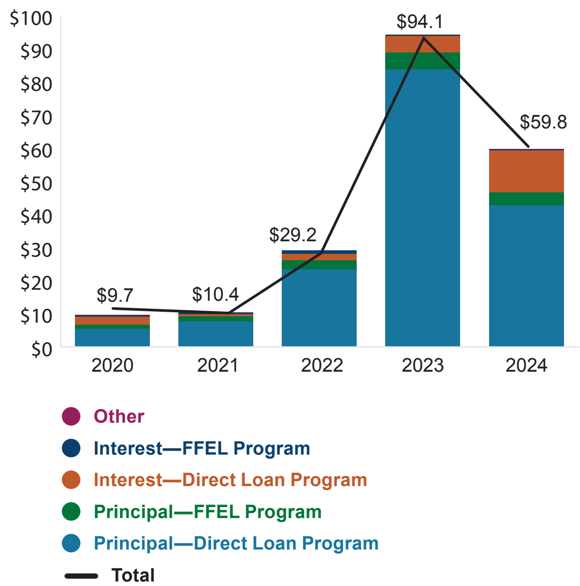
- Fixing historical inaccuracies in the Income-Driven Repayment (IDR) count system for borrowers who earned forgiveness. These fixes, which were first **announced** by the Biden-Harris Administration in April 2022, are part of the Department's commitment to address historical failures in the federal student loan program. These adjustments have brought borrowers closer to forgiveness and address longstanding concerns with the misuse of forbearance by loan servicers.
- Creating the most affordable payment plan ever for low- and middle-income borrowers—the Saving on a Valuable Education (SAVE) plan. Borrowers can receive relief after at least 10 years of payments if they originally borrowed $12,000 or less. Each additional $1,000 in borrowing adds 12 more months until forgiveness. Single borrowers who earn less than $32,800 per year or those in a family of four making less than $67,500 have a $0 payment. The SAVE plan also ensures that a borrower's balance will never grow due to unpaid interest as long as they are making their monthly payments. The benefit is based upon the original principal balance of all Federal loans borrowed to attend school, not what a borrower currently owes or the amount of an individual loan.
- Making improvements to the Public Service Loan Forgiveness (PSLF) program, including helping borrowers earn progress toward PSLF, simplifying criteria to help borrowers certify qualifying employment, and providing opportunities for borrowers to get help correcting PSLF account problems. As of July 1, 2024, the PSLF program is now fully managed by the Department through StudentAid.gov, rather than by a single, specialty loan servicer. This means that, for the first time, borrowers can now manage all aspects of their PSLF journey on StudentAid.gov, including submitting their PSLF form and tracking their progress toward forgiveness. These updates will simplify the process for borrowers and allow for faster processing of PSLF forms.
- Approving borrower defense discharges for borrowers whose institutions took advantage of them, including borrowers who enrolled at any Art Institute campus on or after January 1, 2004, through October 16, 2017.
- Instituting a 12-month "on-ramp" to repayment, running from October 1, 2023, to September 30, 2024, so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies.

- Providing additional pathways for borrowers who have a total and permanent disability to receive a discharge. This includes allowing borrowers who receive additional types of disability review codes from the Social Security Administration (SSA) to qualify for a discharge. This also includes borrowers who later aged into retirement benefits and are no longer classified by one of these codes. Borrowers who have an established onset date of their disability determined by SSA to be at least 5 years in the past can also establish eligibility.

Although forgiveness of loan principal and interest associated with some of these actions will not occur until future fiscal years, these actions have already resulted in significant increases in cancellations of loan principal and interest for loans held by the Department.

As shown in Figure 1, cancellations of loan principal and interest decreased 36.5 percent during FY 2024, primarily for the Direct Loan Program. A large portion of cancellations of loan principal and interest during FY 2024 were associated with the PSLF and IDR programs, as they made up 29.8 percent and 44.4 percent of total cancellations, respectively. Other notable types of cancellation activity include borrower defense discharges, cancellations of loan principal and interest for loans in default status, and discharges for total and permanent disability.

Figure 1. Loan Cancellations (Dollars in Billions)



FY 2024 Loan Cancellations (Dollars in Millions)

	FY 2024					
	Direct Loan Program		FFEL Program			
Loan Cancellation Type	Principal	Interest	Principal	Interest	Other	Total
Discharges for closed schools	$ 32	$ 1	$ 1	$ 0	$ 0	$ 34
Discharges due to death of the borrower	941	94	78	11	0	1,124
Discharges for total and permanent disability	4,448	493	743	165	1	5,850
Public service loan forgiveness	16,907	928	0	0	2	17,837
Borrower defense discharges	4,697	2	748	20	0	5,467
Discharges for income-driven repayment plans	14,181	11,031	1,267	82	2	26,563
Cancellations of defaulted loans held by guaranty agencies or the defaulted loan servicer	1,387	33	1,074	88	0	2,582
Other	223	11	5	0	79	318
Total Loan Cancellations	**$42,816**	**$12,593**	**$ 3,916**	**$ 366**	**$ 84**	**$59,775**

Financial Statement Impacts of COVID-19 Activities

The Department's financial statements continue to be impacted by the coronavirus disease 2019 (COVID-19) activities. Congress passed multiple COVID-19 relief bills in FY 2020 and FY 2021, including the following that provided a total of $282.5 billion of direct appropriation funding for educational purposes:

- *Coronavirus Aid, Relief, and Economic Security Act of 2020* (CARES Act) $31.0 billion
- *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (CRRSAA) $82.0 billion
- *American Rescue Plan Act of 2021* (ARP) $169.5 billion

These appropriations funded a variety of programs administered primarily through grant programs. The largest component of the education funding provided by the COVID-19 relief appropriations established the Education Stabilization Fund which included (1) the Elementary and Secondary School Emergency Relief Fund, (2) the Higher Education Emergency Relief Fund, (3) the Governor's Emergency Education Relief Fund, and (4) funds for outlying areas.

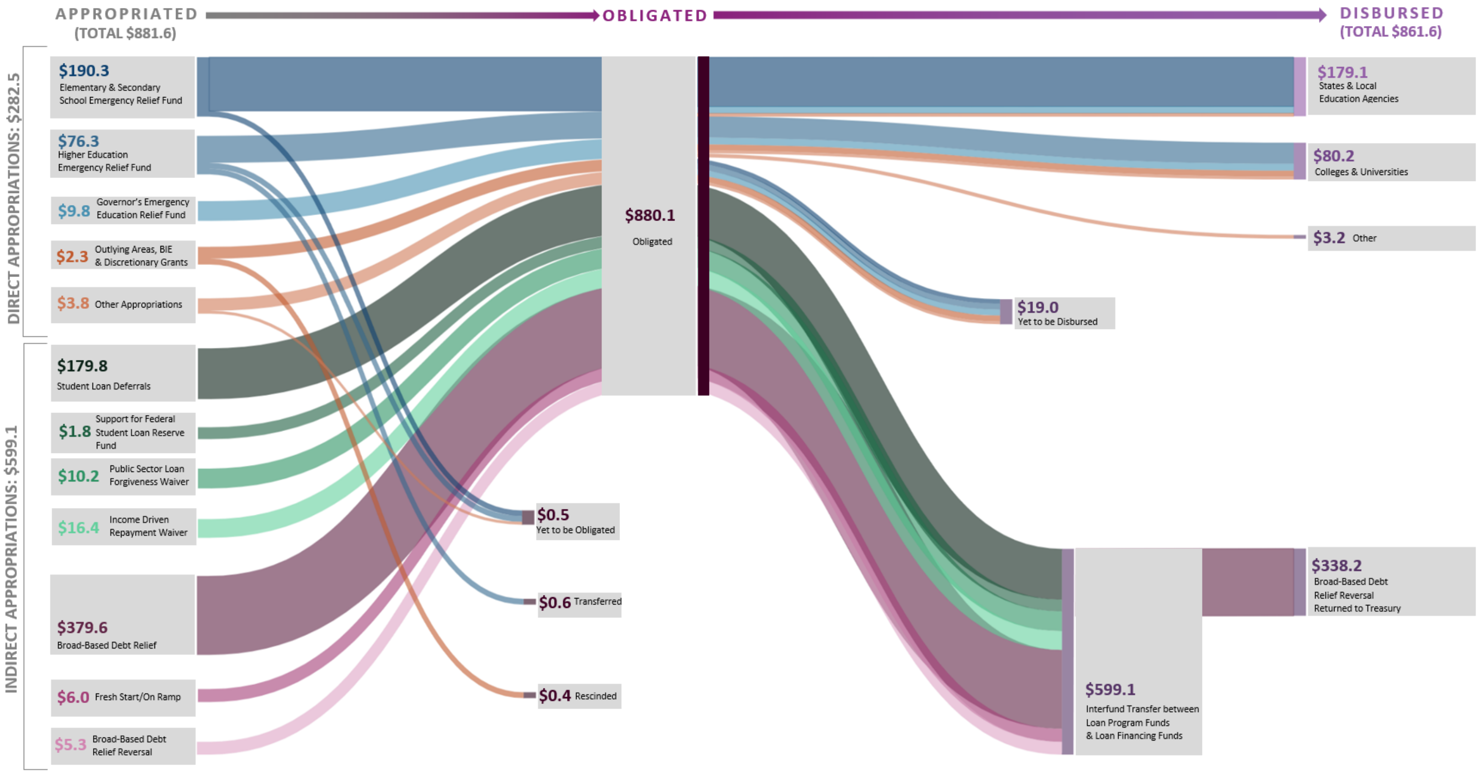
The COVID-19 relief legislation and administrative actions also provided support during FYs 2020 through 2023 for student loan borrowers by suspending nearly all federal student loan payments through August 31, 2023, interest free. Additionally, support for student loan borrowers was provided in FYs 2020 through 2023 by the following COVID-19 relief legislation and administrative actions:

- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals. This reimbursement covers the share of what a guaranty agency might have reasonably collected during the pandemic, but for the suspension.
- Making temporary changes to the PSLF program through a Limited PSLF Waiver to allow student borrowers to get credit for payments made while working for a qualifying employer, regardless of loan type or repayment plan.
- Addressing issues with IDR payment counting by allowing any borrower who made IDR-qualifying payments to count toward IDR, regardless of repayment plan.

Funding for each of these actions was provided through indefinite appropriations, and the cost impacts were recorded as loan modifications.

The direct and indirect funding stemming from the combined COVID-19 relief legislation and administrative actions is summarized in Figure 2. Obligated and unobligated COVID-19 funds remaining to be disbursed as of September 30, 2024, totaled $19.5 billion. Most of the undisbursed funds are for the ESSER Fund. While states may have made subawards for all of their ESSER funding, subawardees may still be in the process of requesting reimbursement from the states who will then in turn draw down the remaining undisbursed funds.

Figure 2. COVID-19 Funding Flow
(Dollars in Billions)



Elementary and Secondary School Emergency Relief (ESSER) Fund—Funds provided for SEAs and LEAs to support continued learning for K-12 students whose educations have been disrupted by COVID-19, and grants for the specific needs of homeless children and youth to address the challenges of COVID-19.

Higher Education Emergency Relief Fund (HEERF)—Funds provided for institutions of higher education (IHEs) to address needs directly related to COVID-19, including transitioning courses to distance education and granting aid to students for educational costs such as food, housing, course materials, health care, and childcare.

Governor's Emergency Education Relief (GEER) Fund—Grants provided to state governors to ensure education continues for students of all ages impacted by the COVID-19 national emergency.

Outlying Areas, Bureau of Indian Education (BIE), and Discretionary Grants—Funds provided for outlying areas and discretionary grants to states with the highest COVID-19 burdens.

Balance Sheet

The consolidated balance sheet presents, as of a specific point in time (the end of the fiscal year), the Department's total assets, total liabilities, and net position.

The Department's assets totaled $1,281.7 billion as of September 30, 2024. As shown in Figure 3, most assets relate to loans receivables, $1,081.1 billion, which comprised 84.3 percent of all assets. Direct loans comprise the largest share of these receivables. Analysis of the net change in Direct Loan Program receivable balances begins on page 30. All other assets totaled $200.6 billion, most of which was Fund Balance with Treasury, $199.7 billion, which decreased by $44.3 billion during FY 2024, largely as a result of the disbursement of $55.5 billion of COVID-19 related funding that was provided to the Education Stabilization Fund in previous fiscal years.

The Department's liabilities totaled $1,197.3 billion as of September 30, 2024. As shown in Figure 4, most of the Department's liabilities are also associated with loan programs, $1,155.9 billion, which are primarily amounts borrowed from the U.S. Treasury to fund student loans. Debt associated with the Direct Loan Program totaled $1,098.6 billion as of September 30, 2024. Analysis of debt associated with the Direct Loan Program begins on page 33.

Figure 3. Assets by Type

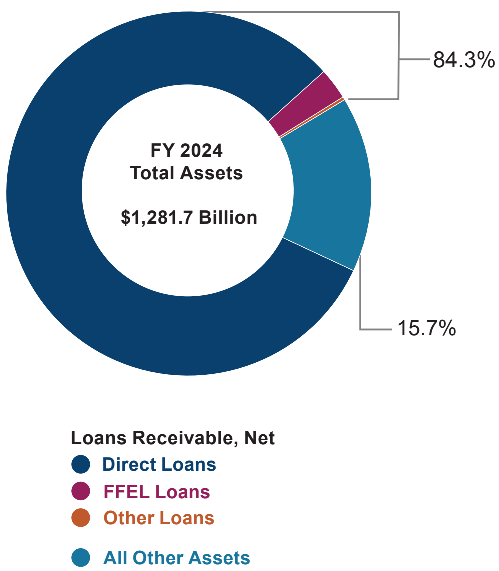
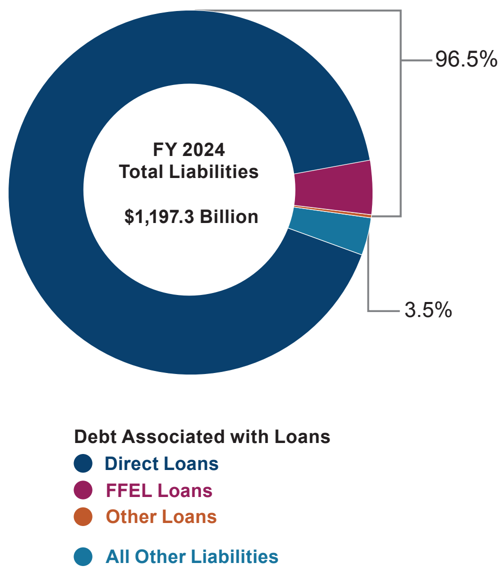


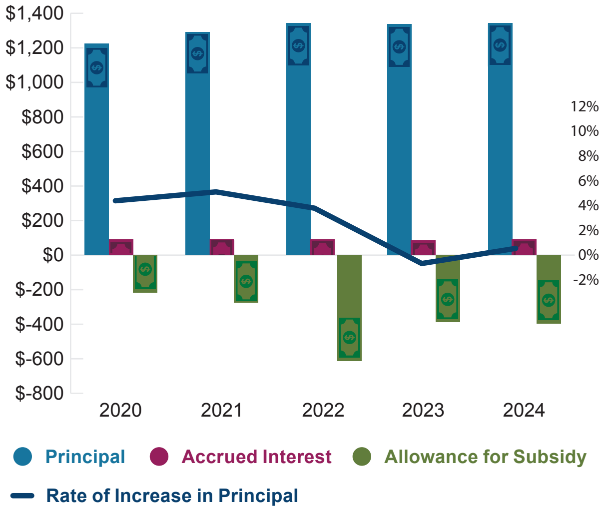
Figure 4. Liabilities by Type



Analysis of Direct Loan Program Receivables, Net

Figure 5 shows the changes in the Direct Loan Program receivable components over the past five years. The principal amount grew each year since 2020, except 2023 which saw a slight decrease. Although total principal has increased during these years, the rate of increase in principal slowed as enrollment stagnated and sometimes declined. Even so, new loan disbursements continue to exceed overall loan principal repayments—student loan borrowers have many options to stretch out their repayment terms and reduce their monthly payments, and student loan repayment deferrals were implemented in response to COVID-19. Accrued interest amounts decreased during FYs 2020 through 2023 due to COVID-19 relief actions that temporarily set borrower interest rates to zero percent. However, that temporary relief action ended August 31, 2023, which is the primary reason that accrued interest increased during FY 2024.

Figure 5. Components of Direct Loan Receivables, Net
(Dollars in Billions)



Direct Loan Component (Dollars in Billions)	Fiscal Year				
	2020	2021	2022	2023	2024
Principal	$ 1,224.8	$1,292.2	$ 1,341.8	$ 1,336.2	$ 1,368.9
Rate of Increase in Principal	5.1%	5.5%	3.8%	-0.4%	2.4%
Accrued Interest	$ 92.1	$ 86.5	$ 86.7	$ 83.4	$ 104.4
Allowance for Subsidy	$ (216.4)	$(273.9)	$ (611.9)	$ (388.7)	$ (432.0)
Total No. of Direct Loan Recipients (in Millions)	**35.9**	**37.0**	**37.1**	**38.1**	**38.2**

In accordance with the *Federal Credit Reform Act of 1990*, the Department's financial statements report the value of direct loans (credit program receivables) at the net present value of their future cash flows, discounted at a fixed rate based on Treasury securities. The difference between the recorded principal and interest balance and the net present value of the loans is referred to as the "allowance for subsidy," which can be positive or negative.

A negative amount for the allowance for subsidy balance means that the present value of funds expected to be recovered is less than the principal outstanding. The increase in the allowance from FY 2020 through FY 2022 was largely due to higher subsidy costs, with the main causes being high participation in IDR plans and the COVID-19 deferrals of student loan repayments. In addition to these factors, the increase during FY 2022 was also due to higher subsidy costs due to debt relief actions announced during the FY. The decrease in the allowance for subsidy during FY 2023 was largely the result of a downward modification to reverse the inclusion of student loan debt relief from the baseline subsidy cost as a result of the Supreme Court's ruling on Biden vs. Nebraska on June 30, 2023. During FY 2024, the allowance for subsidy increased by $43.3 billion, largely because of the recognition of the subsidy cost of Direct Loans disbursed during the fiscal year (see discussion in the Analysis of Direct Loan Program Subsidy Expense section on page 36).

Table 2. Payment Status of Direct Loan Principal and Interest Balance

(Dollars in Billions)

	Fiscal Year				
Loan Status	**FY 2020****	**FY 2021****	**FY 2022****	**FY 2023****	**FY 2024**
Total No. of Direct Loan Recipients (in Millions)	35.9	37.0	37.1	38.1	38.2
Total Dollar Amount of Direct Loans Outstanding	**$ 1,316.9**	**$ 1,378.7**	**$ 1,428.5**	**$ 1,419.6**	**$ 1,473.3**
Current Repayment[1]	$ 14.2	$ 16.2	$ 11.8	$ 999.4	$ 409.8
% Current Repayment	1.1%	1.2%	0.8%	70.4%	27.8%
In School, Grace Period, and Education Deferments	$ 282.8	$ 271.9	$ 259.5	$ 255.4	$ 269.9
% In School, Grace Period, and Education Deferments	21.5%	19.7%	18.2%	18.0%	18.3%
Forbearance and Noneducation Deferments	$ 887.5	$ 967.8	$ 1,039.7	$ 57.4	$ 506.4
% Forbearance and Noneducation Deferments	67.4%	70.2%	72.8%	4.0%	34.4%
Delinquent (Past Due 31–360 Days)	$ 0.5	$ 0.0	$ 0.0	$ 0.0	$ 189.2
% Delinquent (Past Due 31–360 Days)	0.0%	0.0%	0.0%	0.0%	12.8%
Default/Bankruptcy/ Other*	$ 131.9	$ 122.8	$ 117.5	$ 107.4	$ 98.0
% Default/Bankruptcy/Other*	10.0%	8.9%	8.2%	7.6%	6.7%

[1] Loans in Current Repayment status include loans that are being repaid on-time. However, these on-time loans can include loans for which the amount of interest accruing is higher than payments that are being made, which can occur in the case of loans on income-driven repayment plans.

*Adjusted to eliminate differences between NSLDS and FSA Total Reported DL Portfolio (principal and interest).

**Student loan payment pause in effect from March 2020 through August 2023.

Table 2 shows the payment status of the direct loan principal and interest balances outstanding over the past five years. The Current Repayment category consists of loans that are being paid back on time, including the current portion of loans being repaid pursuant to IDR plans. Loans in the Delinquent category are past due anywhere from 31 to 360 days. Default/Bankruptcy/Other includes loans that are more than 360 days delinquent (default status), loans in a nondefaulted bankruptcy status, and loans in disability status.

While a technical default is 271 days delinquent, default is defined as 361 days delinquent for reporting purposes.

The balances reported for Current Repayment in FY 2020, FY 2021, and FY 2022 were significantly lower than other years, primarily due to the COVID-19 student loan repayment deferrals that placed loans in forbearance and subsequently cured delinquencies. As a result of the COVID-19 student loan repayment deferrals, the delinquent balances were zero during FYs 2021, 2022, and 2023.

While the COVID-19 student loan repayment deferrals suspended payments for federally owned student loans, some borrowers elected to continue to make student loan payments. In addition to improving borrowers' overall financial health, factors that may have influenced borrowers to continue making payments on their student loans during forbearance include the following:

- Borrower flexibility to make payments or suspend payments as their financial circumstances permitted without notification to the loan servicer.

- Potential earlier loan payoff.

- Lower total cost of a loan over time to the borrower due to the zero percent interest rate. (Before the pause, an average of two-thirds of each dollar paid went to principal. During the pause, this quickly increased to above 90 percent, and now an average of 95 percent of each dollar goes toward principal.)
- Potentially improving the borrower's credit rating by reducing the student debt balance. The relative strength of FSA borrower payment activity has been driven, in part, by efforts of borrowers to improve their credit stance to purchase homes during the period of forbearance. During the pandemic, the U.S. Department of Housing and Urban Development and Federal Housing Authority implemented non temporary policy changes to improve the underwriting stance of federal student loan borrowers.
- Potentially improved borrower's overall financial health and reduced financial stress by reducing student debt.

Analysis of Debt Associated with Loans, Direct Loan Program

The Department borrows funds to disburse new loans and pay credit program outlays and related costs. The Department repays Treasury after consideration of cash position and the liability for future cash outflows.

The Department's total debt associated with the Direct Loan Program was $1,098.6 billion as of September 30, 2024, which was a $28.4 billion decrease from FY 2023. Total debt decreased because the Department's repayments of debt ($155.6 billion) during the FY exceeded new borrowings from Treasury to fund the disbursement of new loans ($127.2 billion).

Figure 6. Direct Loan Program Cumulative Financing Activity
(Dollars in Billions)

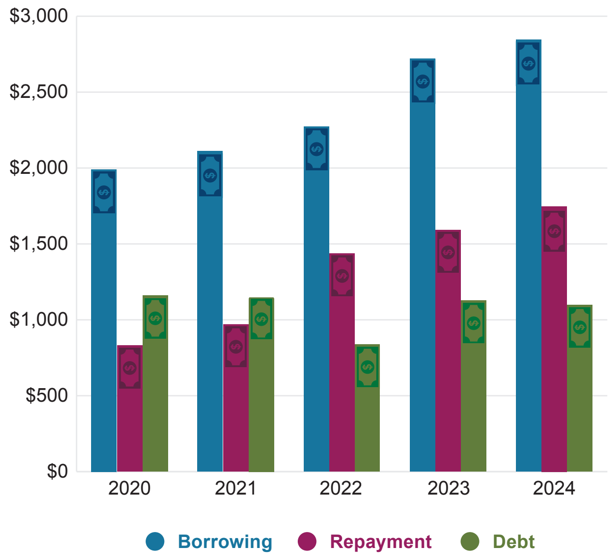
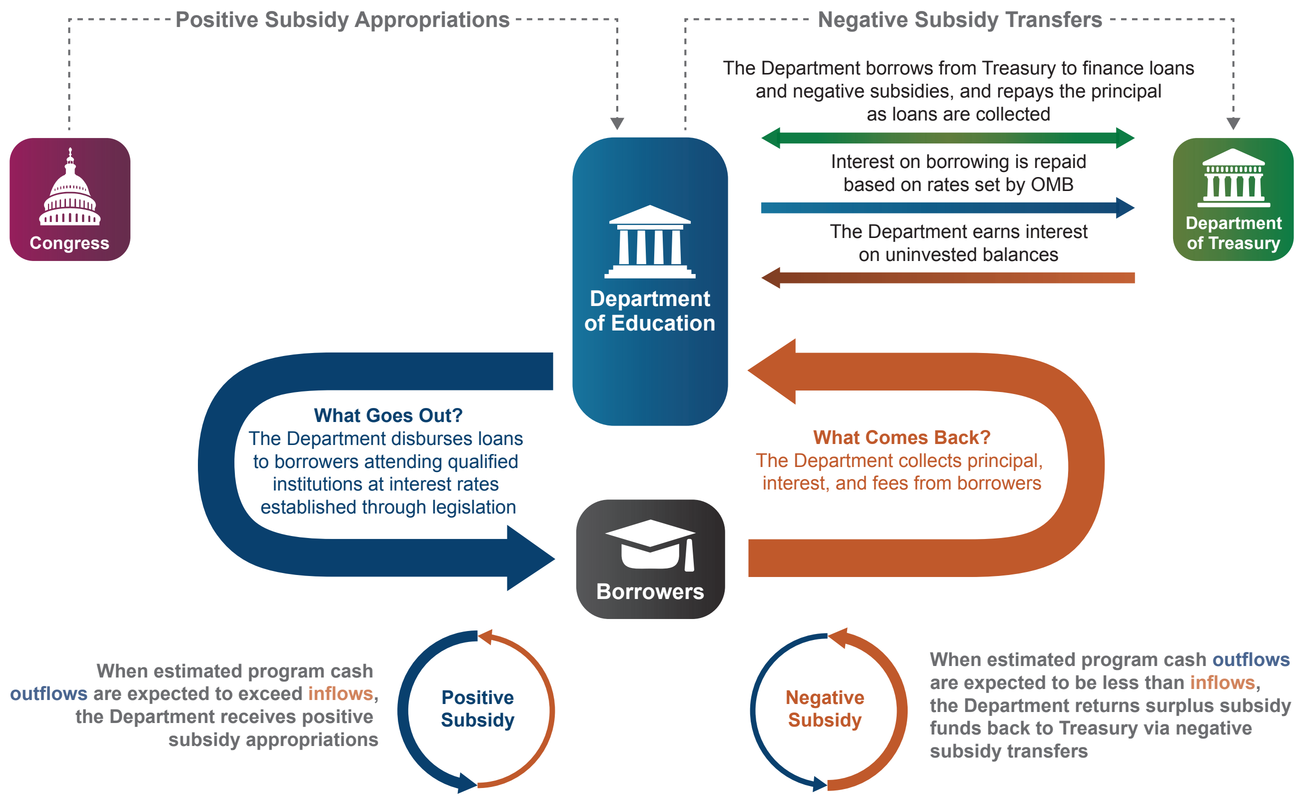


Figure 6 shows the Direct Loan Program cumulative borrowing and repayment activity that resulted in the debt amount on the balance sheet. A diagram depicting the Direct Loan Program financing process is displayed with related trend data as Figure 7 on page 34 of this report.

Figure 7. William D. Ford Federal Direct Loan Program: *Follow the Funding*



Treasury Financing and Subsidy Cost of Direct Loans (Dollars in Billions)*					
Fiscal Year	2020	2021	2022	2023	2024
Net Borrowing	**$ (32.0)**	**$ (17.9)**	**$ (304.8)**	**$ 289.5**	**$ (28.4)**
Borrowing from Treasury	116.9	120.0	162.8	445.0	127.2
Debt Repayments to Treasury	(148.9)	(137.9)	(467.6)	(155.5)	(155.6)
Interest Expense to Treasury	(34.7)	(33.0)	(30.6)	(28.2)	(31.2)
Interest Earned from Treasury	4.8	4.2	7.6	6.3	5.4
Cumulative Taxpayer Cost / (Savings)	216.4	273.9	611.9	388.7	432.0
Current Subsidy Expense / (Revenue)	100.9	93.9	385.4	(116.5)	60.7

Direct Loan Program Cash Transactions with Borrowers (Dollars in Billions)*					
Fiscal Year	2020**	2021**	2022**	2023**	2024
Loan Disbursements	**$ 117.4**	**$ 104.8**	**$ 120.4**	**$ 122.3**	**$ 147.7**
Stafford Subsidized	19.1	18.3	15.7	15.7	15.7
Stafford Unsubsidized	46.1	44.1	45.5	44.9	44.1
Parent Loan for Undergraduate Students (PLUS)	21.7	20.8	22.2	23.9	25.7
Consolidation[1]	30.4	21.5	36.9	37.8	62.2
Loan Collections[2]	**69.9**	**37.2**	**45.5**	**45.9**	**103.2**
Principal	55.3	33.3	41.3	42.1	79.9
Interest	12.9	2.3	2.6	2.1	21.6
Fees	1.7	1.6	1.6	1.7	1.7

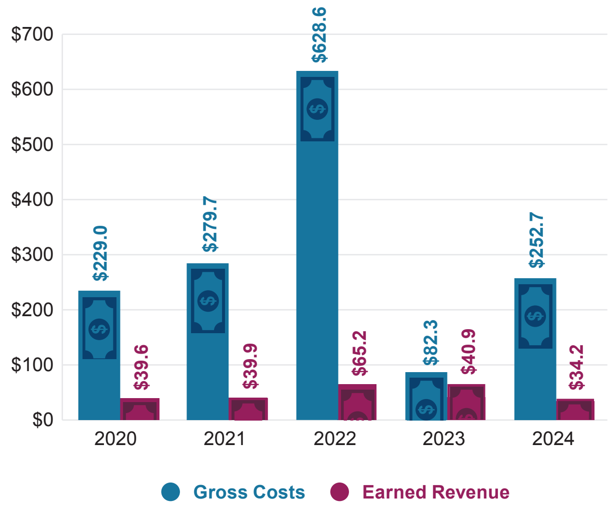
* Numbers may not add due to rounding.

** Student loan payment pause in effect from March 2020 through August 2023.

[1] Consolidation amounts stem from a number of loan programs, including most notably the FFEL program, in addition to Direct Loans.

[2] Loan collections include prepayments, including prepayments in full due to consolidation of underlying Direct Loans.

Figure 8. Gross Costs & Earned Revenue
(Dollars in Billions)



Statements of Net Cost

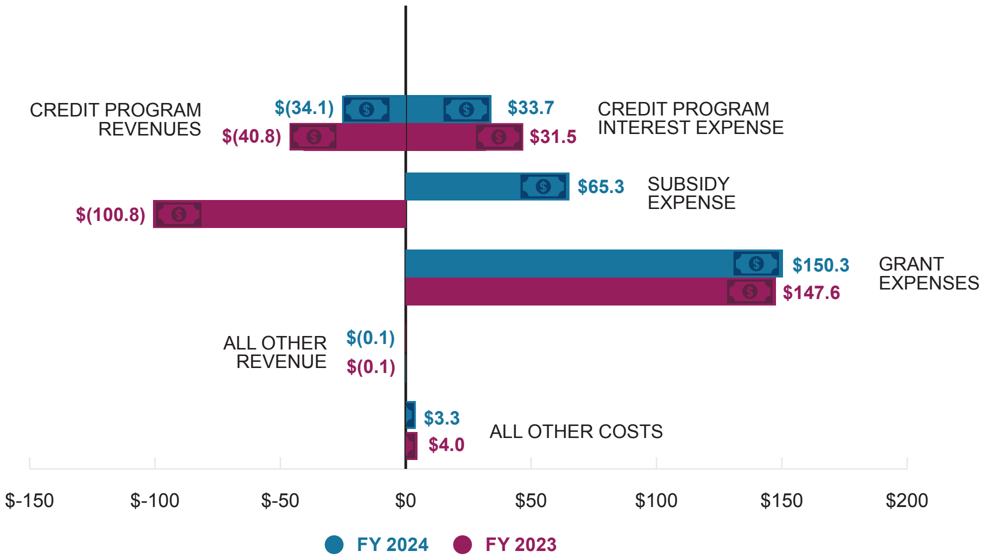
The consolidated statements of net cost report the Department's components of the net cost of operations for a given fiscal year. Net cost of operations consists of the gross costs incurred less any exchange (i.e., earned) revenue from activities. Gross costs are composed of the cost of credit and grant programs, and operating costs. Exchange revenue is primarily interest earned on credit program loans. Figure 8 shows the Department's gross costs and earned revenue over the past five years. As shown in Figure 9 below, the most significant changes in the Department's net costs for FY 2024 were a large increase in subsidy expenses for the Department's student loan programs. This increase was largely a result of differences in the amounts of loan modifications and subsidy re-estimates that occurred during FYs 2023 and 2024.

Gross Costs and Earned Revenue by Type

As shown in Figure 9, the Department's gross costs and earned revenue include three primary components:

- Credit program interest expense offset by credit program interest revenue and administrative fees as the result of subsidy amortization.
- Credit program subsidy expense (see Analysis of Direct Loan Program Subsidy Expense below).
- Grant expenses (see Figure 11).

Figure 9. Primary Components of Gross Costs and Earned Revenue
(Dollars in Billions)



Analysis of Direct Loan Program Subsidy Expense

The Department's gross costs can fluctuate significantly each year as a result of changes in estimated subsidy expenses—primarily subsidy expenses for direct loans. The primary components of subsidy expenses include year-end subsidy re-estimates and loan modifications.

Subsidy expenses are estimates of the present value cost of providing direct loans but exclude the administrative costs of issuing and servicing the loans. The Department estimates subsidy expenses using a set of econometric and financial models as well as cash flow models.

The Department estimates subsidy expenses annually for new loans disbursed in the current year and updates the previous cost estimates for outstanding loans disbursed in prior years based on various updated assumptions (subsidy re-estimates). The Department also updates subsidy expenses due to changes to terms of existing loans (subsidy modifications). Figure 10 shows these three components of the Direct Loan Program subsidy expense for the past five years. Factors such as interest rates charged to the borrower, interest rates on Treasury debt, default rates, fees and other costs, and assumptions concerning borrowers' selection of repayment plans impact the estimated cost calculation and determine whether the individual components and overall subsidy expense are positive or negative.

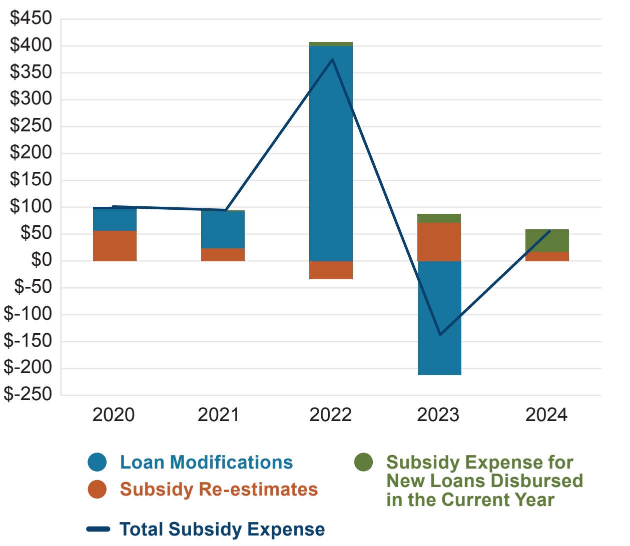
The Direct Loan Program subsidy expense for new loans disbursed since FY 2020 has been positive due in large part to rising enrollment in IDR plans, which contributes to a higher expected cost to the government for issuing student loans by reducing the amount that many borrowers will repay over the life of their loans and/or creating a student loan forgiveness benefit for amounts remaining after 20 or 25 years, particularly common among high-debt borrowers.

The Department updates its subsidy cost estimates each year for outstanding loans disbursed in prior years using a process referred to as a subsidy re-estimate. The total of Direct Loan subsidy re-estimates during FY 2024 was a net $16.9 billion upward subsidy re-estimate. The components of the Direct Loan Program subsidy re-estimates are summarized in Figure 10 below.

The Department also updates previous cost estimates based on any new legislation or other government actions that change the terms of existing loans and alter the estimated subsidy cost. This process is referred to as a modification. During FY 2024, the Department recorded a total of $2.1 billion net upward modifications. The modifications that were recorded in FY 2024 are summarized in Figure 10 below. More detail about these modifications and components of re-estimated subsidy cost can be found in the notes to the financial statements in the Other Information section beginning on page 112.

The FY 2024 year-end subsidy re-estimates also resulted in a $13.3 billion increase in the Subsidy Due to Treasury shown in Table 1 on page 24 of this report. This represents the amount of accrued downward re-estimates of subsidy expense that will be transferred to Treasury in the succeeding fiscal year upon receipt of authority from OMB. More detail on Subsidy Due to Treasury can be found in the notes to the Consolidated Balance Sheet beginning on page 71.

Figure 10. Direct Loan Program Subsidy
(Dollars in Billions)



	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Subsidy Expense for New Loans Disbursed in the Current Year	$ 5.1	$ 1.6	$ 7.3	$ 16.3	$ 41.7
Subsidy Re-Estimates	56.1	24.0	(21.9)	71.4	16.9
Loan Modifications	39.7	68.3	400.0	(204.2)	2.1
Total Subsidy Expense	**$100.9**	**$ 93.9**	**$385.4**	**$(116.5)**	**$ 60.7**

Loan Modification Components	Modification Costs FY 2024	Modification Costs FY 2023
Debt Management and Collection System (DMCS)	$ 2.1	$ -
Student Loan Repayment Deferrals	-	23.3
PSLF Waiver	-	4.1
Total and Permanent Disability Discharges	-	4.4
Interest Capitalization	-	3.5
Closed School Discharges	-	3.7
IDR SAVE Regulation	-	70.4
Broad-Based Debt Relief Reversal	-	(319.9)
Fresh Start/On Ramp	-	2.2
Borrower Defense to Repayment and Arbitration	-	4.1
Total Direct Loan Program Loan Modifications	**$ 2.1**	**$ (204.2)**

Subsidy Re-estimate Components	FY 2024	FY 2023
Student Loan Model (SLM) Changes	$(30.2)	$ -
Income-Driven Repayment (IDR) Model Changes	12.8	26.5
Prior Year's Cohort Assumption Changes	(5.0)	0.2
Interest on the Re-estimate	7.4	16.8
Default	0.3	(0.6)
Repayment Plan Selection	-	4.2
Discount Rates	12.6	0.8
Non-IDR Discharges	6.0	29.9
Deferment And Forbearance	3.9	(2.3)
Collections	(1.3)	16.4
Interactive Effects	7.8	(18.2)
Other Assumptions	2.6	(2.3)
Total Direct Loan Program Subsidy Re-estimates	**$ 16.9**	**$ 71.4**

Grant Expenses

As shown in Figure 11, overall grant expenses changed primarily because of COVID-19 grants. More detail concerning COVID-19 grants can be found in Note 16 to the financial statements in the Other Information section beginning on page 105. In addition to COVID-19 funded grants, the Department has more than 100 other grant and loan programs. The three largest of these grant program areas are:

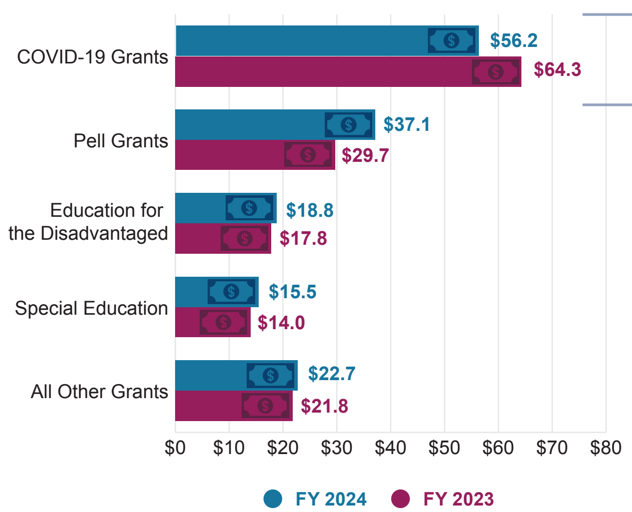
- **Pell Grants**—Provides need-based grants to students to promote access to postsecondary education. Grant amounts are dependent on the student's expected family contribution, the cost of attendance (as determined by the institution), the student's enrollment status (full-time or part-time), and whether the student attends for a full academic year or less. Pell Grants are the single largest source of grant aid for postsecondary education.

- **Education for the Disadvantaged**—Primarily consists of Title I, Part A grants which provide financial assistance through SEAs to LEAs and public schools with high numbers or percentages of poor children to help ensure that all children meet challenging state academic content and student academic achievement standards. This appropriations account also provides funds to states to support educational services to children of migratory farmworkers and fishers and to neglected or delinquent children and youth in state-run institutions, attending community day programs, or in correctional facilities.

- **Special Education**—Primarily consists of *Individuals with Disabilities Education Act* grants that provide funds by formula to states to assist them in providing a free appropriate public education in the least restrictive environment for children with disabilities ages 3 through 21 and assists states in providing early intervention services for infants and toddlers from birth through age 2 and their families. Also provides discretionary grants to IHEs and other nonprofit organizations to support research, demonstrations, technical assistance and dissemination, technology, personnel development and parent training, and information centers.

In addition to student loans and grants, the Department offers other discretionary grants under a variety of authorizing legislation, with approximately 90 percent of nonstudent aid funds awarded by formula and 10 percent through competitive processes.

Figure 11. Grant Expenses by Program Areas
(Dollars in Billions)



COVID-19 Grant Expenses
(Dollars in Millions)

COVID-19 Grants	FY 2024	FY 2023
Education Stabilization Fund:		
Elementary and Secondary School Emergency Relief Fund	$ 52,566	$ 52,832
Higher Education Emergency Relief Fund	1,012	7,238
Governor's Emergency Education Relief Fund	1,550	2,354
Outlying Areas & Discretionary Grants	339	406
Total Education Stabilization Fund	**55,467**	**62,830**
Other COVID-19 Grants	767	1,451
Total COVID-19 Grants	**$ 56,234**	**$ 64,281**

Statements of Changes in Net Position

The consolidated statements of changes in net position report the beginning net position, the summary effect of transactions that affect net position during the fiscal year, and the ending net position. Net position is the residual difference between assets and liabilities and consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances for grant and administrative operations. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

Statements of Budgetary Resources

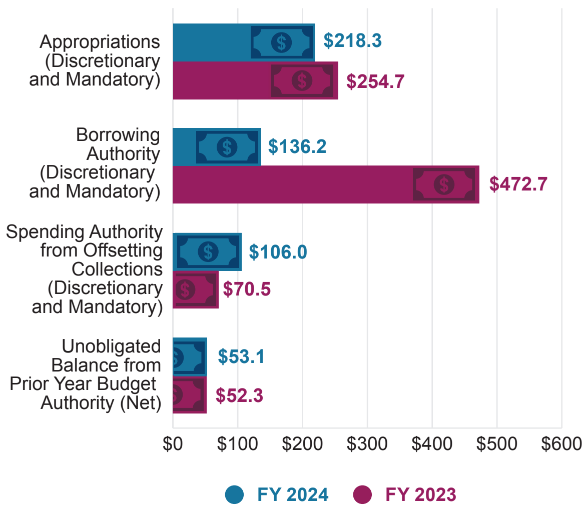
The combined statements of budgetary resources present information on how budgetary resources were made available and their status at the end of the fiscal year. Information in the statements is based on budgetary transactions as prescribed by OMB and Treasury.

Figure 12 shows the components of the Department's budgetary resources, which totaled $513.6 billion for FY 2024, decreasing from $850.2 billion, or 39.6 percent, from the prior year. The net decrease was a result of the following significant changes in budget authority.

- Borrowing authority decreased $336.5 billion (71.2 percent), primarily for the Direct Loan Program ($322.5 billion), as a result of higher borrowing activity that occurred during FY 2023 to fund downward loan modifications.
- There was a net $36.4 billion (14.3 percent) decrease in appropriations received, primarily due to a $38.0 billion decrease in Direct Loan Program appropriations for subsidy re-estimates and modifications.
- Spending authority from offsetting collections increased by $35.5 billion (50.3 percent), due primarily to increased Direct Loan program principal and interest collections from the public ($57.2 billion), offset by a decrease in Direct Loan program subsidy transfers ($33.2 billion).

Other significant changes to the Department's combined statements of budgetary resources include the following:

Figure 12. Components of Budgetary Resources
(Dollars in Billions)



- New Obligations and Upward Adjustments (Total) decreased by $325.8 billion, or 42 percent, primarily due to a net $318.0 billion decrease in Direct Loan program obligations. The change in the Direct Loan program includes the combined effect of differences in subsidy cost re-estimates and modifications that were executed during the two fiscal years.
- Unobligated Balance, End of Year decreased by $10.8 billion, or 14.7 percent. This decrease was largely due to a decrease in unobligated amounts for the Pell Grant program ($7.0 billion decrease) and the Direct Loan program ($7.3 billion decrease).

The combined statements of budgetary resources also present the Department's summary disbursement and collection amounts shown in Table 3.

Table 3. Outlays, Distributed Offsetting Receipts, and Disbursements, Net
(Dollars in Billions)

	FY 2024	FY 2023
Outlays, Net		
Credit Programs	$ 123.5	$ 155.6
Grants	146.2	147.6
Contractual Services	2.6	2.5
Personnel Compensation and Benefits	0.8	0.8
Total Outlays, Net	**$ 273.1**	**$ 306.5**
Distributed Offsetting Receipts		
Negative Subsidies and Downward Re-estimates of Subsidies	(5.0)	(346.7)
Repayment of Perkins Loans and Capital Contributions	(0.5)	(0.5)
Other	0.3	(0.4)
Total Distributed Offsetting Receipts	**$ (5.2)**	**$(347.6)**
Disbursements, Net		
Direct Loan Program		
Gross Disbursements	$ 181.5	$ 483.0
Offsetting Collections	(218.8)	(195.5)
Total Direct Loan Program Disbursements, Net	(37.3)	287.5
FFEL Program		
Gross Disbursements	12.9	26.0
Offsetting Collections	(20.4)	(16.9)
Total FFEL Program Disbursements, Net	(7.5)	9.1
Other Loan Programs		
Gross Disbursements	0.4	0.3
Offsetting Collections	(0.2)	(0.2)
Total Other Loan Program Disbursements, Net	0.2	0.1
Total Disbursements, Net	**$(44.6)**	**$296.7**

Outlays, Net is comprised of gross outlays and offsetting collections in the Department's budgetary funds. Outlays, Net decreased $33.4 billion (10.9 percent) due primarily to a decrease of $33.2 billion in Direct Loan Program outlays, including upward loan modifications and re-estimates.

Distributed Offsetting Receipts primarily represents amounts paid from the Direct Loan Program and FFEL Program financing accounts to Treasury General Fund receipt accounts for downward current fiscal year executed subsidy re-estimates and modifications, and negative subsidies. Of the $342.4 billion net decrease in FY 2024 versus FY 2023, $329.5 billion was attributed to the Direct Loan Program.

Disbursements, Net is comprised of gross outlays and offsetting collections in the Department's credit program nonbudgetary financing funds. Of the $341.3 billion net decrease in FY 2024 versus FY 2023, $324.8 billion was attributed to the Direct Loan Program and largely due to changes in the amount of subsidy re-estimates and modifications during the fiscal years, along with an increase in the amount of principal and interest collected from borrowers.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

SECRETARY'S STATEMENT OF ASSURANCE
FISCAL YEAR 2024
November 14, 2024

The Department of Education's (Department's) management is responsible for managing risks and maintaining effective internal control to fulfill the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982 (*FMFIA). The Department conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results of this assessment, the Department can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024, except for the material weakness related to the subsidy estimate for the Department's Direct Loan (DL) and Federal Family Education Loan (FFEL) student loan portfolios.

Each year, the Department is required to perform interest rate and technical re-estimates of the subsidy costs (commonly referred to as subsidy re-estimates) of its direct loan and loan guaranty programs as of September 30th. These re-estimates are derived from an internally developed cash flow model called the Student Loan Model (SLM). In FY 2024, Federal Student Aid (FSA), in collaboration with the Department, undertook corrective measures to address this material weakness. These actions included implementing new controls, improving governance over the completeness and accuracy of data within the system used to support key assumptions for the SLM, and improving communication with senior management and other stakeholders in the Department regarding data-related issues.

In addition, the *Federal Financial Management Improvement Act of 1996* (FFMIA) mandates that agencies establish and maintain financial management systems that comply substantially with federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. In accordance with OMB Circular A-123, Appendix D, the Department evaluated its financial management systems to assess compliance with FFMIA. As a result of this assessment, the Department can provide modified assurance as of September 30, 2024, that its financial management systems substantially meet FFMIA principles, standards, and requirements. However, this assurance is qualified due to the previously mentioned material weakness.

Miguel A. Cardona, Ed.D.

Management Control Program

Background

The *Federal Managers' Financial Integrity Act* (FMFIA) mandates that agency heads annually assess their operations and provide a Statement of Assurance (SoA) to the President and Congress, ensuring effective risk management and internal control. The Government Accountability Office (GAO) prescribes internal control standards for the Federal Government via *GAO's Standards for Internal Control in the Federal Government*, commonly known as the Green Book, which guides federal managers in creating an effective system of internal control. The Green Book defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity are achieved. These objectives and related risks can be broadly classified into one or more of the following categories:

- *Operations*—Effectiveness and efficiency of operations.
- *Reporting*—Reliability of reporting for internal and external use.
- *Compliance*—Compliance with applicable laws and regulations.

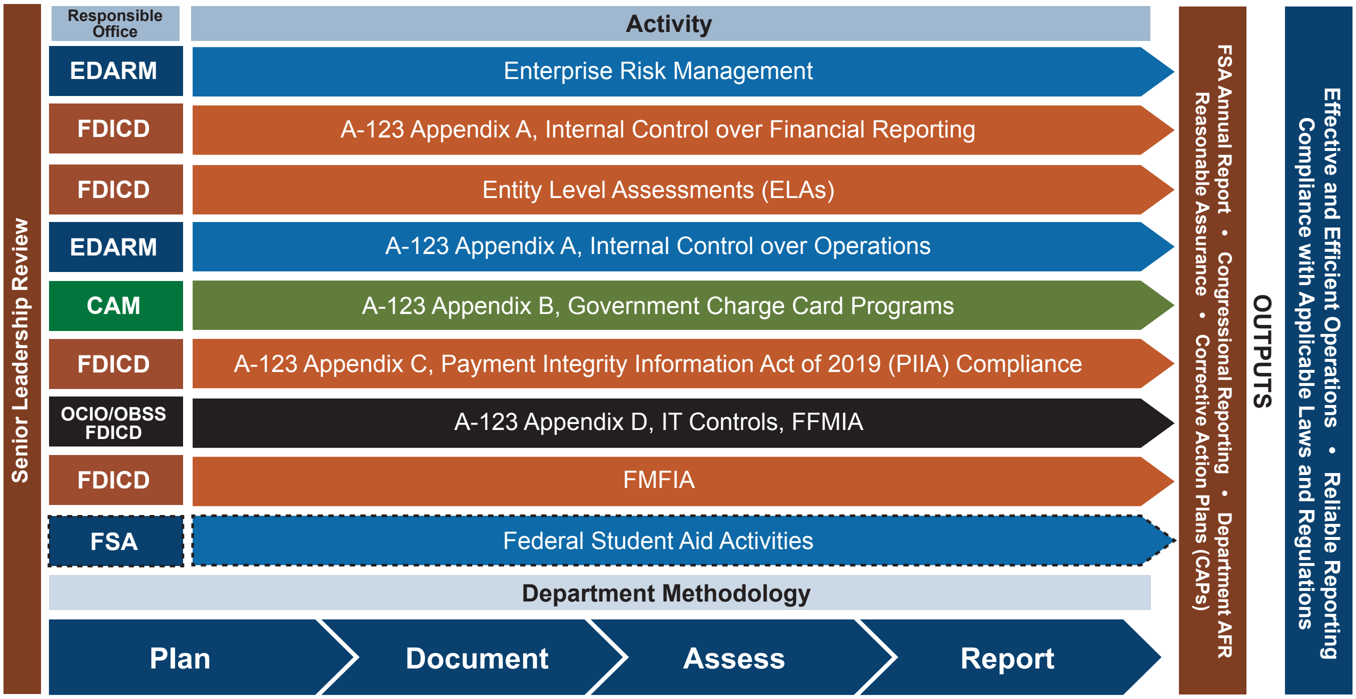
OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provides guidance to federal managers on risk management and internal control aligning with FMFIA and GAO Green Book standards, and requires management to provide assurance that financial management systems comply with Government-wide requirements. The financial management systems requirements are directed by Section 803(a) of the FFMIA and Appendix D to OMB Circular A-123, *Compliance with the Federal Financial Management Improvement Act of 1996.*

We acknowledge the disclaimer received regarding the financial statement audit. Strong risk management practices and internal controls are essential for the Department to operate efficiently and effectively, report reliable information about its operations and financial position, and comply with applicable laws and regulations. The Department's comprehensive system of internal control mandates that all managers establish cost-effective management control systems to ensure that U.S. Government activities are managed effectively, efficiently, economically, and with integrity. Responsibility for ensuring adequate controls over all Department operations rests with all levels of management.

Internal Control Framework

The Department's internal control framework helps ensure that the Department achieves its strategic goals and objectives related to delivering education services effectively and efficiently, complies with applicable laws and regulations, and prepares accurate reports. The Department's comprehensive internal control framework and assurance process is depicted in the following diagram in Figure 13.

Figure 13. Department of Education Internal Control Framework



EDARM	Division of Enterprise Data Analytics and Risk Management
FDICD	Financial Data Integrity and Controls Division
CAM	Contracts & Acquisitions Management
FMFIA	Federal Managers' Financial Integrity Act of 1982
OCIO	Office of the Chief Information Officer
OBSS	Office of Business Support Services
FSA	Federal Student Aid

The Department's Office of Finance and Operations (OFO) manages the FMFIA assurance process on behalf of the Department's senior leadership. Divisions within OFO perform the applicable assessment activities and report the resultant information to their respective management. These assessment activities, in addition to managers' knowledge of day-to-day operations and existing controls, management program reviews, and audit findings, assist the Assistant Secretaries in Principal Office Components (POCs) in developing their statements of assurance (SoAs), which serve as the primary basis for the Department's FMFIA SoA issued by the Secretary. Periodic cross-cutting meetings with managers and senior leaders from across the Department form the primary governance structure for internal control and provide oversight to ensure management accountability for effective Department controls.

OFO employs an integrated approach to meet the requirements of OMB Circular A-123 (including all appendices), FMFIA, FFMIA, and GAO's Green Book. The Green Book specifically addresses the testing of entity-level controls, which is a fundamental component in maintaining an effective system of internal control. These entity-level controls cover key areas such as the control environment, risk assessment, control activities, information and communication, and monitoring, all of which are assessed through the 17 underlying principles of internal control.

The Department remains focused on enhancing the efficiency and coordination of internal control activities to ensure streamlined operations, facilitate connections across various functions, and promote transparency of information. This comprehensive framework supports greater compliance, process efficiency, and robust oversight, empowering governance bodies to effectively monitor internal controls and manage risks. By strengthening these internal controls, the Department aims to improve outcomes, reduce risks, and provide reasonable assurance to both internal and external stakeholders that the data produced is accurate, reliable and complete, operations are effective, and controls are functioning as intended.

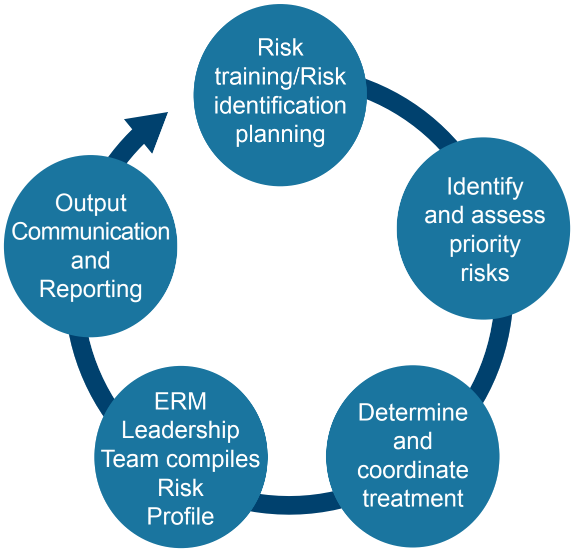
Acknowledging the disclaimer received on the financial statement audit, this framework also ensures the Department's commitment to continuous improvement in both its internal control system and its risk management practices.

Enterprise Risk Management Framework

The Department of Education's Enterprise Risk Management (ERM) program supports agency-wide efforts to maximize the Department's value to students and taxpayers through achievement of strategic goals and objectives. The Department's ERM program strategically focuses on the complete spectrum of the organization's significant risks and the combined impact of those risks as an interrelated portfolio rather than simply addressing risks within silos. This coordinated approach leverages data and analytical solutions to identify, measure, and assess challenges related to mission delivery and resource management. Through ERM, the Department has established a systematic and deliberate view of risk into key management practices, ultimately yielding more effective performance and operational outcomes.

This year, the Department's ERM program has undergone a significant transition from the Division of Enterprise Data Analytics and Risk Management (EDARM), within the Office of Finance and Operations (OFO) to the Performance Improvement Office (PIO), within the Office of the Deputy Secretary (ODS). This realignment in the reporting structure better enables the Department to identify, measure, and assess challenges related to mission delivery, policy development, and operations to develop coordinated, actionable response plans.

The ERM Annual Assessment process includes the following key steps:



The ERM team collaborated with every Principal Office Component (POC) to identify and evaluate risk prioritization within each POC and at the Department-wide level. The FY 2024 Department of Education ERM profile was published with the aggregated result and analysis from the annual assessment process. This profile highlights the top 15 risks for the Department around the following 6 main functional processes:

- *Financial Management:* Student Loan Cost Estimation, Budget Formulation.
- *Human Capital Management:* Recruitment & Hiring, Workforce & Succession Planning, Employee Training & Development, Employee Engagement & Retention.
- *Information Technology Management:* IT Process Governance, Cybersecurity, and Infrastructure.
- *Business Process Management:* Acquisition/Budget Strategy.
- *Data Management*: Information Security and Data Protection, Data Quality.
- *Oversight and Compliance:* Grants and Contracts Management.

In FY 2024, the ERM team continued to enhance the ERM digital tool for collecting, analyzing, and reporting risk data, based on user feedback. New capabilities and additional visual analysis have been created for all stakeholders to further monitor and evaluate trends and results.

The ERM team made steady progress in developing and implementing new training, tools, and informative content to better educate and promote a culture of healthy risk management within the Department and foster continuous improvement where data and awareness of enterprise risks are used to objectively guide strategic and operational decisions and improve agency performance.

Analysis of Controls

The Department relies on annual assurances provided by the heads of its principal offices, supported by risk-based internal control evaluations and testing—as well as annual internal control training provided for all employees—to demonstrate reasonable, but not absolute, assurance that its internal controls are well-designed, in place, and working as intended. The Department's annual assurance process conforms to the requirements contained in the revised Green Book and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* The Department also emphasizes the importance of continuous monitoring. It is the Department's policy that any organization with a material weakness or significant deficiency must prepare and implement a corrective action plan to correct the weakness. The plan, combined with the individual SoAs and OMB Circular A-123 Appendix A assessments, provide the framework for monitoring and improving the Department's management controls continuously. Management will continue to direct and focus efforts to resolve any deficiencies in internal control identified by management and auditors.

The Department performs annual activities that help to identify, document, assess, and improve internal control over reporting and operations. Key activities include:

- Maintaining process documentation for the Department's significant business processes and subprocesses.

- Maintaining an extensive library of key financial, operational, and information technology (IT) controls.
- Performing annual internal control risk reviews at the entity and transactional level.
- Providing technical assistance to principal offices to help them understand and monitor key controls.
- Refining the Data Quality Plan to improve reporting controls and data quality.
- Implementing a risk-based control testing strategy.
- Developing corrective action plans when internal control deficiencies are found and tracking progress against those plans.
- Recommending and assisting with the implementation of robust tools to design more efficient and effective operating procedures.

In FY 2024, the Department conducted tests of a proportionate number of key financial controls across its significant business processes. This was based on qualitative risk assessments and rotational testing plans. Furthermore, the Department's entity level controls adhere to established standards, with the exception of improvements to risk assessment and monitoring activities recommended by the independent auditor related to the material weakness.

The Department's shared service provider, the U.S. Department of the Interior (DOI)/ Interior Business Center (IBC), uses the Federal Personnel and Payroll System (FPPS) for payroll processing. An audit by DOI confirmed that the FPPS controls tested in its FY 2024 review were effective, ensuring that the specified control objectives were met during that period.

The Department and FSA are actively addressing a material weakness identified in FY 2023 concerning reporting reliability. During that year, both the external financial statement auditor and FSA found errors in the data used for key assumptions in the SLM. Consequently, in FY 2024, FSA, in collaboration with the Department, implemented corrective measures to tackle the root causes of these errors. Looking ahead to FY 2025, FSA plans to further mature these new processes and identify additional controls to be designed, implemented, and assessed to strengthen reporting reliability.

The Department recognizes the need to strengthen certain areas of control and address significant challenges highlighted by the Department's Office of Inspector General (OIG) in its FY 2025 Management Challenges report. One such challenge is data quality and reporting. It is essential for the Department, along with its grantees and subrecipients, to implement effective controls to ensure data accuracy and completeness. Reliable program data is crucial for evaluating performance and guiding management decisions. To address this issue, the Department integrated a Data Quality Plan into its control assessment processes.

Analysis of Financial Management Systems

The FFMIA requires management to ensure that the Department's financial management systems consistently provide reliable data that comply with system requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Appendix D to OMB Circular A-123, *Management of Financial Management Systems - Risk and Compliance*, and OMB Circular A-130, *Managing Information as a Strategic Resource*, provide specific guidance to agency managers when assessing conformance to FFMIA requirements.

The Department's vision for its financial management systems is to provide objective financial information to stakeholders to support data-driven decision-making, promote sound financial management, and enhance financial reporting and compliance activities. The Department's core financial applications are integrated under common management control as part of the Education Central Automated Processing System (EDCAPS). EDCAPS is a suite of financial applications (subsystems), including commercial off-the-shelf, custom code, and interfaces that encompass the Department's core financial management processes. Specifically, EDCAPS provides the following functions:

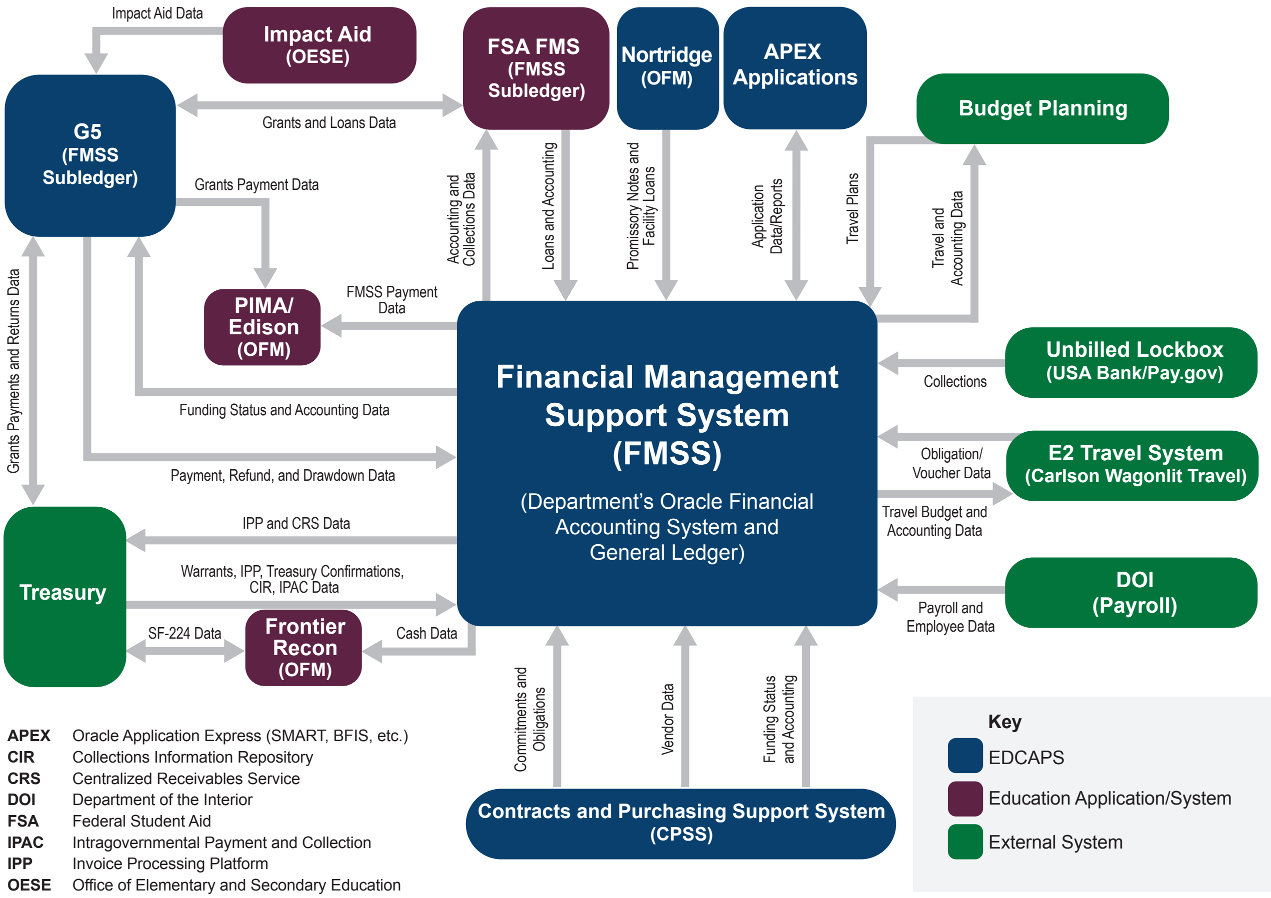
- General ledger—Preparation of financial statements and reconciliation of general ledger balances with subsystems maintained in program areas and Treasury.
- Funds management—Budget formulation, budget execution, and funds control.
- Grants pre- and post-award processing, including grant payment processing.
- Contract pre-and post-award processing.
- Receivables management.
- Cost management.
- Recipient management.
- Administrative processes (e.g., purchasing, travel, and miscellaneous payments).

EDCAPS is composed of five main integrated components:

- Financial Management Support System (FMSS)—FMSS is the Department's core financial system. It provides financial management functions such as the general ledger, financial statement preparation, funds control and budget execution, purchase receiving, accounts receivable, and accounts payable.
- The FMSS Oracle E-Business Suite application resides behind the Department firewall and is not an external-facing application.
- Contracts and Purchasing Support System (CPSS)—CPSS provides the Department with a central repository to enter, retrieve, manage, and view acquisition/contract-related data. The centralized data provides enhanced information dissemination, with the ability to respond to both internal and external information requests.
- Grants Management System (G5)—G5 provides the Department with a platform to manage all grant activities, from initial recipient contact to grant processing to payments and grant closeout. This single-system approach provides improved grant information management, recipient response time, and accuracy of financial management information.
- E2 Travel System—E2 provides the Department, under a GSA contract with third party, a platform to manage travel functions. EDCAPS interfaces with E2 in accordance with an established Memorandum of Understanding and Information Security Agreement between the Department and the vendor.

The following diagram outlines the data flow in and out of EDCAPS, including data flow with other Department applications/systems and external applications/systems:

EDCAPS (FMSS) Functional Flow Diagram



APEX	Oracle Application Express (SMART, BFIS, etc.)
CIR	Collections Information Repository
CRS	Centralized Receivables Service
DOI	Department of the Interior
FSA	Federal Student Aid
IPAC	Intragovernmental Payment and Collection
IPP	Invoice Processing Platform
OESE	Office of Elementary and Secondary Education
OFM	Office of Financial Management
PIMA	Payment Integrity Monitoring Application
SF-224	Monthly Statement of Transactions

Across all its components, EDCAPS is serving numerous Departmental internal users in Washington, D.C. and 10 regional offices throughout the United States and territories, as follows:

- G5—805
- CPSS—719
- FMSS—400
- E2—4,090

EDCAPS is serving approximately 44,845 external users, mostly users of Grants Management System (G5).

In FY 2024, the Department conducted an annual risk assessment of EDCAPS and tested 110 IT security controls, as follows:

- EDCAPS—11
- FMSS—25
- CPSS—19

- G5—33
- E2—22

The Department designated the FMSS as a mission-critical system that provides core financial management services and focused its system strategy on the following areas during FY 2024:

- Managing and implementing cross-validation rules throughout the fiscal year to prevent invalid accounting transactions from being processed.
- Transmitting the Department's spending data related to contracts, grants, loans, and other financial assistance awards for the USASpending.gov initiative as part of the *Federal Funding Accountability and Transparency Act of 2006* and *Digital Accountability and Transparency Act of 2014.*
- Transmitting the entire Department's payments through the Department of Treasury Secure Payment System.

The FMSS Oracle E-Business Suite application is behind the Department firewall and not external-facing. FMSS includes the following interfaces to multiple applications which are either not part of the Oracle suite of applications in the Enterprise Resource Plan or are external systems:

- Department Systems:
  - Oracle Enterprise Performance Management Cloud Planning (formerly Hyperion).
  - Fiserv Frontier (acquired by Trintech).
  - G5.
  - CPSS.
- External Systems:
  - Treasury systems (Invoice Processing Platform [IPP] invoices/receipts/obligation data, IPP invoice status, payment files, debt referrals, Centralized Receivables Service invoices, warrants, Treasury confirmations, Collections Information Repository collections and administrative return, collections/payments).
  - E2 Travel System.

In addition, the Department included feeder systems and mixed financial systems in its FY 2024 FFMIA assessment. A mixed financial system refers to a system that supports both financial and non-financial functions. These systems may not always contain direct financial information but provide data that supports dollar values in financial reports. These systems include FSA's Financial Management System (FMS), the National Student Loan Data System (NSLDS), the Common Origination and Disbursement System (COD), Debt Management and Collection System (DMCS), and Access & Identity Management System (AIMS).

Overall, the Department's financial management systems are designed to support effective internal control and produce accurate, reliable, and timely financial data and information, except for the material weakness reported in the Secretary's Statement of Assurance. The financial statement auditors, in their independent assessment, concluded that the Department did not substantially comply with FFMIA requirements, and the

Department concurred. As noted below in the Analysis of Legal Compliance section, the Department continues to address issues and improve its controls over systems.

Analysis of Legal Compliance

The Department is committed to maintaining compliance with applicable laws and regulations. The below are a few examples:

The Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act (FMFIA), Pub. L. 97-255 – (H.R. 1526) was enacted into law on September 8, 1982.

The FMFIA establishes overall requirements with regard to internal control and requires the agency head to certify annually to the President and Congress whether there is reasonable assurance that the Department's internal controls are achieving their intended objectives. This is also noted in the Office of Management and Budget Circular A-123 (OMB A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control*, which implements the FMFIA.

The Department conducted an internal control assessment as required under FMFIA, but it did not fully comply with the FMFIA and OMB A-123 standards. Specifically, it did not identify and document certain financial statement risks and associated controls. Additionally, management did not properly identify risks affecting data used to calculate the subsidy re-estimates, leading to errors in the consolidated financial statements.

Federal Financial Management Improvement Act of 1996 (FFMIA)

Federal Financial Management Improvement Act of 1996 (FFMIA), Pub. L. 104-208, Title VIII (31 U.S.C. 3512 note) was enacted into law on September 30, 1996.

The FFMIA mandates that the Department maintain financial management systems aligning with federal requirements, accounting standards, and the U.S. Government Standard General Ledger at the transaction level. The OMB Circular A-123 Appendix D outlines the FFMIA Compliance Determination Framework for assessing compliance. "Financial management systems" encompass systems supporting financial management, including processes, controls, and personnel.

Although the Department conducted an assessment as required, it did not fully meet FFMIA and OMB A-123 standards. This was due to inadequate risk assessments in key processes, resulting in non-compliance and increasing the risk of inaccurate reporting.

Payment Integrity Information Act of 2019 (PIIA)

The ***Payment Integrity Information Act of 2019 (PIIA), Pub. L. 116-117, 134 Stat. 113,*** was enacted into law on March 2, 2020.

The primary purpose of the PIIA is to reorganize and revise several existing improper payments statutes,[3] which establish requirements for federal agencies to cut down on improper payments made by the federal government. PIIA requires federal agencies to report improper payments annually for programs that are deemed susceptible

3 ***Improper Payments Information Act of 2002 (IPIA), Pub. L. 107-300, 116 Stat. 2350,*** as amended by the ***Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. 111-204***, 124 Stat. 2224, and the ***Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Pub. L. 112-248***, 126 Stat. 2390.

to significant improper payments. PIIA also requires each agency's OIG to review the agency's improper payment reporting in its Agency Financial Report (AFR) and accompanying materials, and to determine whether the agency has met six compliance requirements.

In its annual improper payment compliance audit for FY 2023, the OIG concluded that the Department did comply with the PIIA for the FY 2023 reporting period because it met all six compliance requirements. However, the OIG found that the Department could improve its processes for implementing its methodologies for computing improper payments and unknown payments.

Federal Information Security Modernization Act of 2014 (FISMA)

The ***Federal Information Security Management Act (FISMA 2002)***, part of the ***E-Government Act (Public Law 107-347)***, was passed in December 2002. ***The Federal Information Security Modernization Act of 2014*** amends FISMA 2002.

FISMA requires federal agencies to develop, document, and implement an agencywide program to provide security for the information and relevant information technology systems. The Act supports the operations and assets of the agency and helps to ensure the confidentiality, integrity, and availability of all system-related information.

In FY 2024, the Department's and FSA's information security programs are in compliance with FISMA. The Department received an overall FISMA assessment of "Managed and Measurable," or a Level 4 Cybersecurity Maturity Level. This is considered effective. Four domains were scored as Optimized, Level 5, the highest score possible, and four domains were scored as Managed and Measurable, which is the FISMA requirement. Several improvements were made in FY 2024 to increase the overall score to the highest score achieved by the Department.

Security Function	Metric Domain	Maturity Level	Change from 2023
Identify	Risk Management	Managed and Measurable	=
Identify	Supply Chain Risk Management	Optimized	▲
Protect	Configuration Management	Optimized	▲
Protect	Identity and Access Management	Consistently Implemented	=
Protect	Data Protection and Privacy	Managed and Measurable	=
Protect	Security Training	Managed and Measurable	=
Detect	Information Security Continuous Monitoring	Optimized	▲
Respond	Incident Response	Managed and Measurable	=
Recover	Contingency Planning	Optimized	▲

Forward-Looking Information

This section summarizes information pertinent to the Department's future progress and success.

Direct Loan Program

The Department's largest program, the William D. Ford Federal Direct Loan (Direct Loan) Program, provides students and their families with funds to help pay for their postsecondary education costs. The following describes (1) the steps the Department has taken to help make student debt more manageable and (2) the risks inherent in estimating the cost of the program.

Managing Student Loan Debt

Each year, federal student loans help millions of Americans obtain a college education—an investment that, on average, has high returns. While the average return to having a college degree remains high,[4] some students leave school poorly equipped to manage their debt.

Traditionally, federal student loans had fixed-payment 10-year repayment schedules, making it difficult for borrowers to begin repaying at the start of their career when their salaries are low. The recent expansion of income-driven repayment (IDR) plans allows students the opportunity for greater financial flexibility as it pertains to their monthly repayment. For more details on these plans, visit FSA's **How to Repay Your Loans Portal**.

The COVID-19 emergency relief measures in the Direct Loan program, including suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0 percent have ended. As of June 30, 2024, 20.3 million borrowers with ED-held loans in active repayment were current on their loans, meaning zero days past due. This is about 3.8 million more borrowers than were current in February 2020, prior to the pandemic, when 16.5 million borrowers had loans in repayment that were zero days past due.

The Department continues to work relentlessly to make student loan debt more manageable. Looking to the future, the Department will:

- Continue conducting outreach efforts to inform student loan borrowers of their repayment options.
- Work to improve customer service and student aid systems and processes by implementing FSA's Next Gen FSA, see page 56.
- Continue to support the development of additional tools, such as the College Scorecard and College Financing Plan, to increase transparency around higher education costs and outcomes that may help students and families make informed decisions before college enrollment.

Managing Risks and Uncertainty Facing the Direct Loan Program's Cost Estimates

Direct Loan Program costs are estimated consistent with the requirements of the *Federal Credit Reform Act of 1990*. Under the act, the future disbursements and collections

4 **https://www.stlouisfed.org/publications/regional-economist/2023/mar/return-investing-college-education**

associated with a cohort of loans are estimated for the entire life of the loan, up to 40 years in this case. The actual performance of a loan cohort tends to deviate from the estimated performance during that time, which is not unexpected in developing estimates. Estimation of Federal credit programs involves inherent risk. The Department utilizes the best data available with modeling techniques that have been examined over time by several outside entities. Management has confidence over the estimates due to the use of several different tools to analyze cost estimates. Re-estimates on the loan portfolio are performed twice a year, ensuring that the most up to date data and models are used. There are four types of inherent risk, described below, that make estimating lifetime program costs a difficult task.

Legislative, Regulatory, and Policy Risk

There are inherent risks to estimating future lifetime disbursements and collections for a cohort stemming from legislative, regulatory, or administrative actions. For instance, the cost structure of the Direct Loan Program may be significantly altered if policies around loan forgiveness are expanded. In addition, the effects on financial modeling and estimation associated with recent legislative, regulatory, and policy action is difficult to interpret given the lack of actual trend data availability. Some examples of current risks include the following:

Income-Driven Repayment Plans: On August 9, 2024, the U.S. Court of Appeals for the 8th Circuit imposed an injunction on some features of the SAVE plan. The Department has continued to contest the litigation and there is no final decision on the merits.

IDR plans tend to be more costly to the government than non-IDR plans. For the 2024 loan cohort, it is estimated that the government will recover 63 percent less for loans in IDR plans as compared to loans in standard plans. It is important to be careful in making such comparisons, however, as the underlying characteristics of borrowers (and the corresponding behavioral dynamics driving selection of plans) also impact the overall cost of loans under each plan. Also, having more repayment plan options complicates repayment plan selection, since the tradeoff decisions when selecting the plans vary by borrower and may not always be entirely clear. In general, however, the introduction of the SAVE plan has made IDR terms more generous and more costly to the government.

Selected comparisons between projected originations and borrower repayments under the different IDR plans are available on the **Department's website**. Future commitment to promote these programs, and potential increased participation in these plans, are areas of uncertainty. Future legislative and/or regulatory activity could also affect the underlying cost of IDR plans.

Public Service Loan Forgiveness: Enacted in 2007, the Public Service Loan Forgiveness (PSLF) program allows a direct loan borrower to have the balance of their direct loans forgiven after having made 120 qualifying monthly payments under a qualifying repayment plan, while working full time for a qualifying public service employer (such as government or certain types of nonprofit organizations). In general, forgiveness provided via PSLF raises the cost of the Direct Loan Program; however, there is still uncertainty as to how many borrowers will take advantage of the program. Much of this uncertainty arises because borrowers are not required to apply for the program or provide any supporting documentation on their employment until after having made the 120 qualifying monthly payments.

On October 5, 2021, the Department announced a temporary change to the PSLF program to allow previously ineligible loans to be immediately eligible for forgiveness, or additional progress toward forgiveness, with no further action from the borrower. The changes included a limited PSLF waiver that allows all payments by student borrowers to count toward PSLF, regardless of loan program or payment plan and a review of denied PSLF applications for errors, giving borrowers the ability to have their PSLF determinations reconsidered. Borrowers who have not previously certified employment have been able to apply for the waiver. Two permanent changes to military borrowers working toward PSLF were also implemented. This opportunity ended on October 31, 2022.

The *Consolidated Appropriations Act*, FY 2018, and the *Department of Education Appropriations Act*, FY 2019, each provided $350 million toward Temporary Expanded Public Service Loan Forgiveness (TEPSLF) for borrowers who met eligibility for public service employment but were not enrolled in a qualified repayment plan. The *Consolidated Appropriations Act*, FY 2020, and the *Consolidated Appropriations Act*, FY 2021, each provided $50 million for TEPSLF.

Data on approved PSLF applications first became available in FY 2018 since borrowers first became eligible for PSLF discharges starting October 1, 2017, after having made 120 qualifying payments. As of September 30, 2024, nearly 960,000 borrowers have received forgiveness from PSLF, including TEPSLF and the time-limited waiver. The value of this forgiveness totaled approximately $70 billion.

Student Debt Relief: The Department continues its work to pursue an alternative path to debt relief through negotiated rulemaking under the *Higher Education Act*. On April 8, 2024, the Department released initial details of a new set of plans that would provide student debt relief for tens of millions of borrowers across the country. As is the case with many high-profile executive actions, the plan is the subject of recent litigation, which is pending. The Department cannot predict the outcome of litigation, but plans to vigorously defend the executive action against all existing and future challenges.

Borrower Defense to Repayment: On June 22, 2022, the Department and the plaintiffs reached a proposed settlement in the case titled *Sweet v. Cardona* (formerly *Sweet v. DeVos*). The court granted final approval to the settlement as fair, adequate, and reasonable on November 16, 2022. In the settlement, if the borrower defense application is related to federal student loans taken out to pay for attendance at any school on **the list of schools attached to the settlement agreement**, the borrower will receive "Full Settlement Relief." Full Settlement Relief means that the federal student loan(s) associated with the borrower's attendance at the school will be discharged, the Department will refund any amounts paid to it on those loans, and the credit tradeline for those loans will be deleted from the borrower's credit report.

Estimation Risk

Actual student loan outcomes may deviate from estimated student loan outcomes, which is not unexpected given the long projection window of up to 40 years. The Direct Loan Program is subject to a significantly large number of borrower-level events and future economic factors that heavily impact the ultimate cost of student loans. For example, assumptions that need to be estimated for loans originating in FY 2024 include how long students will remain in school; what repayment plan will be chosen; whether the loan will be consolidated; whether the borrower will die prior to completing repayment, become disabled, bankrupt, or have another claim for discharge or forgiveness (closed school loan discharge, borrower defense to repayment, etc.); whether the loan will go into deferment or forbearance; whether the loan will go into default and, if so, what collections will be received on the defaulted loan; and, if the loan is in an IDR plan, what the borrower's employment (public sector or not) and income and family size will be over the next 25 years. These projections are generally made based on historical data about borrower characteristics and behavior, which are more difficult to estimate. Lastly, the direct loan portfolio has grown from approximately $356 billion in FY 2011 to more than $1.3 trillion as of the end of FY 2024. This growth naturally results in larger re-estimates, since a re-estimate worth 1 percent of the portfolio today would be more than three times as large as a similar re-estimate in FY 2011.

Macroeconomic Risk

The ultimate amount, timing, and total value of future borrower repayments under the Direct Loan Program are heavily affected by certain economic factors, especially since the introduction of IDR plans.

From the second quarter of 2020 until the expiration of the federal Public Health Emergency on May 11, 2023, the COVID-19 pandemic caused widespread disruption to the American economy. The emergency relief measures provided by Congress and the President resulted in flexibilities for federal student loan borrowers, continuing to prevent spikes in delinquency and default rates. Involuntary loan collections from wage garnishment, tax refund reductions, and reductions of federal benefits such as Social Security were also suspended. However, the ultimate impact of the pandemic on long-term Direct Loan Program costs will depend on, among other things, short- and long-term unemployment, economic growth trends, and potential structural changes in the overall economy and job markets. Some types of macroeconomic risk are inherent to student loan cost estimation, and the Department analyzes them regularly—though some of these risks have been exacerbated by the unprecedented worldwide pandemic. New risks have also developed due to the conditions surrounding the pandemic. Specific examples of macroeconomic risk include:

Interest Rates: Direct Loan Program cost estimates are very sensitive to changes in interest rates. Under the current program terms, the fixed borrower rates for direct loans are established in advance of the upcoming school year, while the Treasury fixed interest rate on the Department's borrowings to fund those loans is not set until after those awards are fully disbursed, which can be as much as 18 months later. Unexpected changes in interest rates during this time can significantly impact Direct Loan Program cost.

Unemployment: Unemployment rates have been shown to affect both student loan volume and student loan repayment decisions and behavior. During periods of economic downturn, displaced workers have tended to pursue higher education opportunities in high numbers to strengthen their credentials, change career paths, or improve future employment opportunities. The exact impact on the cost estimates from the current period remains an area of uncertainty. For instance, higher short-term unemployment rates could have an impact on future collections of already defaulted loans by increasing the risk of fewer collections from wage garnishment and tax refund reductions. A sensitivity analysis examining the impact of a 5 percent reduction in default collections, limited to cohorts 2019-23, resulted in a projected increase in the re-estimate of $3.0 billion.

Wage Growth: The estimated costs of IDR plans are largely dependent on trends in observed wage growth. To the extent that future wage growth deviates significantly from prior wage growth, actual costs of IDR plans may deviate from estimated costs. The Department will continue to closely monitor wage growth following the pandemic. The estimates are sensitive to slight changes in model assumptions. The Department continues to manage risks in this area by building its knowledge about its borrower base and remaining informed of labor market statistics.

Operational Risk

Unforeseen issues in administering and servicing student loans may impact the cost estimates — for example, when federal loan servicers or private collection agencies exit the student loan servicing program, as several have in recent years. The Department remains committed to ensuring that borrowers receive high-quality service that helps them access the benefits granted by law.

Next Gen FSA

About FSA

As the nation's largest provider of financial aid for education beyond high school, Federal Student Aid (FSA) delivers approximately $120.8 billion in aid each year to students and their families. Through programs authorized under the *Higher Education Act of 1965*, as amended, FSA provides grants, loans, and work-study funds for students to attend college and career school. FSA's loan portfolio has grown to more than $1.6 trillion. FSA also provides oversight of 5,378 postsecondary institutions that participate in the federal student aid programs. In every interaction with students and their families, FSA strives to be the most trusted and reliable source of student financial aid information and services in the nation.

The Vision

Through the Next Gen Federal Student Aid (Next Gen FSA) initiative, the Department continues to modernize FSA's programs, technology, processes, and operations to improve student, parent, and borrower experiences and outcomes, as well as those of student aid partners. In addition, through Next Gen FSA, the Department continues to strengthen cybersecurity protections for students, parents, borrowers, institutions, and other financial partners.

Legacy Environment

In the legacy federal student aid environment, students and families navigated a complex and fragmented landscape and interacted with multiple systems, vendors, processes, and interfaces and included a multitude of brands and user experiences. This experience created confusion for students and families and resulted in users failing to understand how to apply for and maintain their aid eligibility. As a result, federal student loan borrowers often did not know for which loan forgiveness and repayment options they qualified. Additionally, operational complexities resulted in higher administrative costs and hindered effective oversight of the Department's vendors.

Next Gen Federal Student Aid Environment

As part of the Next Gen FSA initiative, FSA combined multiple websites, contact centers, and other customer interfaces into a simplified, consistent, and engaging customer experience, which has been enhanced by standardized training and tools. FSA's website—**StudentAid.gov**—continues to be customers' single front door on the web. In addition, the FSA Partner Connect website—**fsapartners.ed.gov**, which launched as a part of the Next Gen FSA initiative—serves as a resource for entities, such as postsecondary institutions and financial partners, that participate in the federal student aid programs. FSA also continues to enhance its modern self-service and consumer information tools that help customers understand the aid they received, their remaining eligibility, for what loan forgiveness programs they may be eligible, and how they can manage loan repayment in a way that meets their goals.

During FY 2024, FSA brought the new loan servicing environment online, an effort that was a decade in the making. FSA created the new environment, known as the Unified Servicing and Data Solution (USDS), to improve the experience and repayment outcomes for approximately 45 million federal student loan borrowers. The new loan servicing environment enables FSA to provide increased oversight of loan servicers and to better safeguard borrowers' personal information through higher cybersecurity standards.

Specifically, FSA designed the new environment to modernize and enhance the experience for all borrowers by:

- increasing servicer accountability to reduce loan delinquencies and defaults;
- allowing FSA to collect more and better data from loan servicers to provide improved borrower assistance;
- bringing loan servicers up to enhanced cybersecurity standards;
- providing borrowers with a more user-friendly and streamlined web experience, regardless of their servicer; and
- eventually centralizing all account management capabilities on StudentAid.gov.

As a part of this effort, in FY 2024, FSA implemented updated branding and new ".gov" URLs for all servicers. These changes help borrowers distinguish authentic information about their student loans from scams. In addition, FSA transitioned the Public Service Loan Forgiveness (PSLF) program, which was previously managed by a designated loan servicer, to FSA via StudentAid.gov. As a result, borrowers can now see the status of their submitted PSLF forms, payment counts, loan details, and payment details when they sign in to their StudentAid.gov accounts, instead of navigating to a servicer's website. During FY 2024, FSA began to transition the Teacher Education Assistance for College and Higher Education (TEACH) Grant program and total and permanent disability (TPD) discharge from designated servicers to FSA. These transitions will be completed during FY 2025.

During FY 2024, FSA enhanced many of its Digital and Customer Care (DCC) tools, including the application for income-driven repayment plans and the "My Aid" and "My Activity" functionalities on StudentAid.gov. In addition, as a part of the transition of the PSLF program, borrowers can now see their progress toward PSLF on StudentAid.gov within the "My Aid" section of their Dashboard on StudentAid.gov. FSA also implemented various updates across StudentAid.gov to modernize many tools that borrowers interact with, including making it easier for borrowers to securely get help when they are locked out of their StudentAid.gov accounts. In addition, in FY 2024, FSA received funding from the Technology Modernization Fund to implement updates on StudentAid.gov, including consolidating documents and data under the "My Activity" feature, which will allow borrowers to view status information in a user-friendly and centralized location.

Throughout FY 2024, FSA completed several updates to the Enterprise Data Management and Analytics Platform Services (EDMAPS), FSA's data analytics platform that processes data from multiple FSA systems. Among the FY 2024 improvements is one that allows the new specialty processing system to easily send data to EDMAPS for high-level reporting for the PSLF and TEACH Grant programs, as well as for TPD.

The Next Gen Business Process Operations (BPO) vendors continue to provide support for customers by answering questions through the Federal Student Aid Information

Center. In FY 2024, BPO vendors managed a higher number of calls and chats than anticipated following the launch of the 2024–25 *Free Application for Federal Student Aid (FAFSA®)* in January 2024, and BPO call centers significantly increased staffing during this time. As a result, agents were able to answer more calls and chats than in the previous fiscal year. On average, in FY 2024, BPO call center agents handled nearly 16,500 customer calls per business day, compared to about 15,800 calls per business day in FY 2023—a 4% increase, on average. Common topics of borrower calls included questions about the FAFSA form, return to repayment, and loan repayment options. Additionally, BPO call center agents provided guidance about the PSLF program, including the processing employer eligibility cases to ensure that borrowers working in qualifying sectors receive appropriate credit. BPO teams also addressed inquiries related to loan forgiveness relief through borrower defense to repayment.

Through the FSA Partner Connect website—fsapartners.ed.gov—FSA has consolidated the tools that partners regularly use into a single digital platform that streamlines operational information by award year, provides notifications related to a partner's specific school activities, tracks scheduled system outages, and more. In FY 2024, FSA significantly expanded Partner Connect to include the eligibility and oversight services previously managed through the Postsecondary Education Participants System, the oldest legacy system in the federal government. Through Next Gen, FSA implemented an extensively redesigned application for approval to participate in the federal student aid programs. Each quarter, approximately 300 schools apply for recertification. In addition, FSA introduced a new electronic third-party servicer inquiry form, which replaces a paper version and Microsoft Access database. The new form allows users to electronically sign and submit important forms and other FSA documents. In addition, new functionality will allow partners to track and monitor information submitted to the Department through Partner Connect. Previously, financial aid professionals could not track their cases without first interacting with FSA staff. Implementing these core foundational functionalities will enable FSA to address future business needs more efficiently and effectively.

In FY 2024, FSA posted a Request for Proposal about the Title IV Origination and Disbursement (TIVOD) system, as well as a Request for Information about FSA's subsequent origination and disbursement data modernization effort, which will help inform future solicitations. The TIVOD contract, which expires in January 2025, covers functionality delivered by Common Origination and Disbursement, the National Student Loan Data System, EDMAPS, the Federal Tax Information Datamart systems, and critical back-end services, such as data integration and customer service for schools and other partners.

Leveraging Data as a Strategic Asset

The Department continues its focus on leveraging its data as a strategic asset by continuing to implement requirements in the *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act; P.L. 115-435) and the Federal Data Strategy. Throughout FY 2024, the Department continued to strengthen data governance while overseeing an unprecedented investment in students and schools through the Education Stabilization Fund, created and subsequently augmented through the triad of COVID relief laws. This section highlights five areas guiding the Department towards realizing the power of data in daily operations and national policy: (1) the ED Data Strategy; (2) Open Data; (3) the Education Stabilization Fund Transparency Portal; (4) Data Quality; and (5) the ED Learning Agenda.

The Department's Data Strategy

In August 2023, the Department, under the development and direction of the Department's Data Governance Board (DGB), published its updated **Data Strategy**, which describes the Department's vision for accelerating progress toward becoming a more a data-driven organization and fully leveraging the power of data to advance its mission. The Department's updated Data Strategy recognizes that the Department has further to go in achieving the four evergreen goals of the Department's inaugural strategy and accordingly includes sixteen new objectives to guide agency progress through 2026.

Throughout 2024, the Department focused on advancing agency-wide data maturity, developing a data validation methodology to ensure strategic data investments, implementing various data quality initiatives, and improving intra- and inter-agency data sharing as part of Goal One of the Data Strategy. Goal Two activities focused on executing the data workforce plan, which aspires to address Department staffing and training needs while the Department continued to augment and expand its Data Skills programs for Department staff at different proficiency levels and help Department staff improve their data visualization and storytelling capacity. Throughout 2024, the Department's Data Professionals Community of Practice planned and executed the internal, agency-wide **Data** VizPalooza 2024, successfully completing the public commitment for Data Strategy Objective 2.3. The week of learning featured over 30 sessions for Department staff and garnered over 1,500 cumulative session attendances. Additionally, in 2024, the Department commenced the third cohort of the ED Data Science Training Program, inducting nearly 60 ED staff members across principal offices into the 2024-2025 program year. As a testament to the Department's pioneering work and accomplishments in the federal space, this year, the Department is providing 12 federal agencies interested in implementing a comparative program with a virtual seat at the training table to experience ED's ongoing 2024-2025 program and consider ways ED's model could benefit their own agencies.

The three-year implementation of the Data Strategy focuses initially on the foundational governance and capacity-building work of Goals One and Two, which support the practices and operations of Goals Three and Four. To advance the strategic use of data under Goal Three, the Department continued to strengthen the evidence-building pipeline by addressing the Learning Agenda's priority learning questions and identifying gaps in Department data while supporting the Department's grant management and student loan servicing systems, which will continue through FY 2026. Finally, under Goal Four, in early FY 2025, the Department will publish and implement its Open Data Plan, continue to expand the comprehensive data inventory, enhance transparency through access to Department administrative data, and strengthen the data release and disclosure review processes.

Open Data

Improving access to Department data, while maintaining its quality and confidentiality, is key to expanding the Department's ability to generate evidence to inform policy and program decisions. Increasing access to data for Department staff, federal, state, and local lawmakers, and researchers can help the Department make new connections and foster evidence-based decision making.

The Department's Open Data Platform (ODP) at **https://data.ed.gov/** is the central repository for information about the Department's data assets. ODP is a fully featured, robust, and highly scalable data repository that maintains information about all recognized data assets, in a fully searchable catalog. As required by Title II of the *Foundations for Evidence-Based Policymaking Act of 2018* and guided by Data Strategy Goal Four, throughout FY 2024, the Department continued to expand the comprehensive data inventory by increasing its catalogued data assets for both externally available open data and internal sources subject to open data priorities, reviewing all data assets for release, and growing the number of Department open data assets listed in the Federal Data Catalogue. ODP now features nearly 1,000 data assets at the close of FY 2024, exceeding the FY 2024 annual performance target supporting Objective 5.4.5 in the Department's *FY 2022–2026 Strategic Plan*. Further, to improve the customer experience, the Department is currently working with principal offices to complete descriptions of data assets in the data inventory and align the published data assets with the originating information collection request.

The Department's Open Data Plan was conceptually guided by public input received throughout 2023, was subsequently drafted during FY 2024 by an interagency working group under the leadership of the Department's DGB, and was published in September 2024. The **Open Data Plan** serves as the Department's core strategy to meet the Evidence Act's requirement to make data open by default. The Plan describes efforts to make the Department's data open to the public, a commitment under Objective 4.1 of the Data Strategy. Published in the fall of 2024, the Plan will 1) improve the usability of all public data assets, 2) develop key requirements for the expansion and maintenance of the Comprehensive Data Inventory to enhance data discovery and utilization, 3) enhance the quality of education data through open data principles and processes, and 4) ensure the Department's data assets are appropriately safeguarded consistent with privacy requirements.

The Department continues to await further guidance from OMB through the annual Federal Data Strategy Action Plan—the last one was published in 2021—as well as the next phase of guidance on Title II of the *Foundations for Evidence-Based Policymaking Act of 2018* known as the *OPEN Government Data Act*.

Education Stabilization Fund Transparency Portal

The Department launched the Education Stabilization Fund (ESF) Transparency Portal, https://covid-relief-data.ed.gov, in 2020 to provide transparency into how the $263 billion investment in education provided for state and institutional COVID-19 recovery and rebuilding efforts were awarded and spent. The ESF Transparency Portal was established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in March 2020, with subsequent allocations to the Fund codified through the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSA Act), signed into law in December 2020, and the *American Rescue Plan Act* (ARP Act), signed into law in March 2021. The ESF Transparency Portal includes four primary emergency relief funds: (1) the Elementary and Secondary School Emergency Relief (ESSER) Fund, (2) the Governor's Emergency Education Relief (GEER) Fund, (3) the Emergency Assistance to Non-public Schools (EANS) Fund, and (4) the Higher Education Emergency Relief (HEER) Fund.

In 2024, the Department focused on augmenting and refining pre-collection technical assistance efforts designed to aid Education Stabilization Fund grantees and ensure accurate and timely reporting. This included annotated data collection forms, prefilled reporting templates, data dictionaries, updated business rule guides, and Annual Performance Report checklists. Additionally, the Department offered more hands-on technical assistance and live training to engage grantees throughout FY 2024. The Department also completed the initial data collection of the 2023 Annual Performance Reports for the ESSER, ESF-State Educational Agencies (SEAs), EANS, GEER, ESF-

GOV, and HEER Fund grantees. The effective implementation of these cumulative strategies has resulted in an increase in grantee submission of on-time annual performance report data over the past two years. Resultantly, all GEER and EANS Fund grantees and nearly 90 percent of ESSER Fund grantees submitted on-time 2023 Annual Performance Reports during the initial collection period. Throughout the fall of 2024, the Department is conducting post-collection data quality reviews, generating detailed feedback reports for grantees, to guide them with updating or correcting data during their annual correction period. The Department also released two public-facing reports, summarizing both the **ESSER FY 2022** data and **HEER Calendar Year 2022** data, and posted those and the FY 2022 ESSER, GEER, EANS, ESF-SEA, ESF-GOV, and HEER Funds Annual Performance Report data sets to the ESF Transparency Portal. The Department will continue to enhance the public user experience to enable stakeholders to transparently access key ESF expenditure data more efficiently and effectively.

Data Quality

The Department's Data Quality Program aims to improve the quality of data collected and published by the Department, serves as a component part of the response to OIG's annual Management Challenges report, and will be executed in concert with supporting initiatives managed by the Department's DGB. In addition to the data quality playbook and data quality plan resources provided to grant staff and principal offices throughout 2023, the Department is now offering live and web-based training for all staff to improve the Department's commitment to ensuring the quality of education data collected is fit for its planned purpose.

At the end of FY 2023, the Department published **updated *Information Quality Act (IQA) Guidelines***. The Guidelines are an important milestone in furthering the Department's coordinated efforts to improve data quality and reporting and directs the Department's principal offices to develop and implement data quality plans for new and revised data collections. In 2024, the Department initiated an internal Technical Assistance initiative to support programs with new or revised Information Collection Requests (ICR), which featured a robust suite of resources, including on-demand training; data quality plan templates, instructions, rubrics, and examples; and a data quality review of current information collection forms. Resultantly, principal offices are now successfully submitting new Data Quality Plans as part of their ICR packages. Additionally, the DGB has developed an agency Data Quality Policy that will help ensure that the quality of an agency data asset is planned for, documented, and assessed throughout the data management lifecycle. Ensuring the quality of ED's data is critical to demonstrate responsible stewardship of taxpayer funds and ensure that data can be effectively utilized to generate factual and timely evidence relevant to policy and operational decision making.

In FY 2024, the Department also launched a Forms Automation Platform, which uses Appian to develop user-friendly digital forms to further improve the quality of the data collected and the grantee experience with data collection. These forms are in compliance with the 21st Century IDEA, which requires digital forms and electronic signatures, as well as OMB memo M-22-10, which requires improvements to the information collection process to ensure more equitable access to public benefits.

The Department's actions and planned data quality improvements address the Department's data quality challenges, specified in the OIG findings in the Data Quality and Reporting section of its annual Management Challenges report. The Department's directed focus on improving the quality of its data collection forms and documentation, as well as the technical assistance imparted to grantees throughout the data collection cycle, was positively noted in the OIG's most recent Management Challenges report published in November 2023. The Department was assessed as a level 4 (with 5 being the highest possible) for its efforts to develop a comprehensive data quality strategy and subsequently improve this habitual challenge area for the Department, and was assessed at the same level in OIG's FY 2025 Management Challenges report (see Other Information section of this AFR).

Recent improvements and outcomes notwithstanding, current agencywide data quality capacity is not sufficient to support principal offices as they implement current refined IQA requirements and future Data Quality Policy directives. The Department would further benefit from the onboarding of Data Quality Coordinator who would serve a vital role in coordinating implementation and assessment of these policies, directives, and resources. The incumbent in that role would be responsible for reviewing data quality plans and providing feedback and technical assistance to principal offices, developing and monitoring the inventory of a Data Quality plans, and reviewing the impact of these policies against both the Department's desired near-term and longer-term outcomes.

The Department's Learning Agenda

The Department's FY 2022–FY 2026 Learning Agenda was published in July 2022 in conjunction with the release of the Department's Strategic Plan. It establishes the plan for how the Department will improve high-quality evidence building to strengthen the nation's education system. The Learning Agenda is aligned to the Department's goals and strategic objectives, reflecting the Secretary's priorities for the Department over the next four years. The Learning Agenda is complemented by an Annual Evaluation Plan. The Annual Evaluation Plan includes a listing of the Department's most significant evaluation activities in a given fiscal year and is released in conjunction with the President's Budget request each spring. Both the Learning Agenda and the Department's Annual Evaluation Plan can be found **at https://evaluation.gov/agencies/department-of-education**. In FY 2025, the Department will begin the process of creating its FY 2026–FY 2030 Learning Agenda.

The FY 2022–FY 2026 Learning Agenda was developed in consultation with the Department's Evidence Leadership Group (ELG). The ELG is co-chaired by the Department's Evaluation Officer and the Director of the Department's Grants Policy Office (GPO) and includes members from the Department's primary grant-making offices as well as mission-support units, such as the Department's Budget Service and the Office of the General Counsel, and ex-officio representatives such as the Chief Data Officer, the Statistical Official, and the Performance Improvement Officer. Feedback from OMB and consultation with stakeholders across government, education, and the public was also used to inform the Department's Learning Agenda.

In collaboration with the Department's DGB, the Evidence Leadership Group is aligning the Department's evidence-building and data strategies. This includes considering whether and how new information collections can be used to address agency priority learning questions; how existing collections might be used in new ways to build evidence related to the Department's Learning Agenda; and where gaps in Department data may suggest the need to collaborate with other partners to meet the Department's learning goals.

Continuous Improvement

Improving critical infrastructure, systems and overall capacity, and ensuring sound strategic decision-making regarding allocation of resources are essential to the Department's future progress and success.

G5 Modernization

Due to limitations on budgets for FY 2025, the Department of Education has decided to delay the G5 grants modernization project until a future date. During FY 2025, and FY 2026 if needed, the Department will re-evaluate the Grants Quality Service Management Office Marketplace for the use of shared services and other alternative solutions for grants life-cycle processing. As soon as a feasible alternative is identified, and based upon the available budget, the Department will resume its grants modernization efforts.

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Financial Section

(Unaudited)

About the Financial Section

In FY 2024, the Department prepared its Consolidated Balance Sheet as a critical aspect of ensuring accountability and stewardship for the public resources entrusted to it. Preparation of this statement is an important part of the Department's financial management goal of providing accurate and reliable information for decision-making

Message From the Chief Financial Officer

The Chief Financial Officer message summarizes the Department's FY 2024 accomplishments and audit opinion.

Consolidated Balance Sheet and Related Notes

The **Consolidated Balance Sheet** summarizes the assets, liabilities, and net position by major category as of the reporting date. Intragovernmental assets and liabilities resulting from transactions between federal agencies are presented separately from assets and liabilities from transactions with the public.

The **Notes to the Consolidated Balance Sheet** provide information to explain the basis of the accounting and presentation used to prepare the statement and to explain specific items in the statement. They also provide information to support how particular accounts have been valued and computed.

Note 1.	Summary of Significant Accounting Policies
Note 2.	Non-Entity Assets
Note 3.	Fund Balance with Treasury
Note 4.	Other Assets
Note 5.	Loan Receivables, Net and Loan Guarantee Liabilities
Note 6.	Liabilities Not Covered by Budgetary Resources
Note 7.	Debt Associated with Loans
Note 8.	Subsidy Due to Treasury
Note 9.	Other Liabilities
Note 10.	Commitments and Contingencies

Report of the Independent Auditors

The results of the audit of the Department's Consolidated Balance Sheet for FY 2024 to comply with the *Chief Financial Officers Act of 1990*, as amended, are presented to be read in conjunction with the Financial Section in its entirety. The Department's Office of Inspector General contracted with the independent certified public accounting firm KPMG LLP to audit the Consolidated Balance Sheet of the Department as of September 30, 2024.

Message From the Chief Financial Officer

I am pleased to present the Department of Education's annual Agency Financial Report (AFR), which is provided to the public as a tool to communicate the Department's fiscal information for fiscal year 2024 (FY 2024). The Office of Finance and Operations (OFO) is committed to supporting the Department of Education's mission to "promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access."

In January 2023, the Department launched the "Raise the Bar: Lead the World" initiative to promote academic excellence for every learner and better prepare our nation for global competitiveness. During FY 2024, the Department focused on making continued progress in the four key focus areas of this plan: achieving academic excellence, boldly improving learning conditions, creating pathways for global engagement, and increasing college affordability and completion. For a detailed look into the progress of this initiative and plans for FY 2025, I encourage you to read the Secretary's Letter on pg. 4 of this report.

This year, the administration has also taken additional steps aimed at providing debt relief to eligible borrowers, including implementing new programs geared toward improving student educational outcomes and helping student loan borrowers transition to their new loan repayment status. During FY 2024, the Department approved debt relief to nearly 5 million borrowers, totaling $170 billion.

OFO supports these initiatives by providing human capital, financial, acquisition, and grants management services across all Departmental offices. In addition to supporting these programs, OFO continued working with leaders across the agency to ensure effective financial stewardship of taxpayer dollars. Over the course of FY 2024, the Department made progress to address issues identified in the FY 2023 financial statement audit. As part of our effort, the agency identified additional issues that need to be addressed during FY 2025.

This year, the independent auditor issued a disclaimer of opinion on the Department's FY 2024 balance sheet. The Department will develop and implement additional corrective action strategies to address the issues highlighted in the FY 2024 audit report. We remain committed to continually evaluating our current business processes and internal controls for improvement opportunities during FY 2025.

Through the hard work and dedication of our employees and partners we are committed to making improvements in our programs and operations. We will continue to serve as accountable and committed stewards supporting the Department's mission on behalf of the public while enhancing our financial management capabilities.

Richard J. Lucas
Delegated the Duties of Assistant Secretary
Office of Finance and Operations, and Chief Financial Officer
U.S. Department of Education
November 14, 2024

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U.S. Department of Education
Consolidated Balance Sheet
As of September 30, 2024

(Dollars in Millions)

	FY 2024 (Unaudited)
ASSETS (Note 2)	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	$ 199,652
Other Assets (Note 4)	212
Total Intragovernmental	199,864
Other than Intragovermental:	
Loan Receivables, Net (Note 5)	
Direct Loan Program	1,041,295
Federal Family Education Loan (FFEL) Program	36,781
Other Credit Programs for Higher Education	2,998
Cash and Other Monetary Assets	576
Other Assets (Note 4)	232
Total Other than Intragovermental	1,081,882
Total Assets	**$ 1,281,746**
LIABILITIES (Note 6)	
Intragovernmental:	
Debt Associated with Loans (Note 7)	
Direct Loan Program	$ 1,098,623
FFEL Program	56,073
Other Credit Programs for Higher Education	1,190
Accounts Payable	1
Other Liabilities:	
Subsidy Due to Treasury (Note 8)	14,875
Guaranty Agency Funds Due to Treasury	576
Other Liabilities (Note 9)	1,440
Total Intragovernmental	1,172,778
Other than Intragovermental:	
Accounts Payable	4,504
Loan Guarantee Liabilities (Note 5)	9,932
Other Liabilities:	
Accrued Grant Liabilities	9,418
Other Liabilities (Note 9)	620
Total Other than Intragovermental	24,474
Total Liabilities	**$ 1,197,252**
Commitments and Contingencies (Note 10)	
NET POSITION	
Unexpended Appropriations	$ 111,527
Cumulative Results of Operations	(27,033)
Total Net Position	**$ 84,494**
Total Liabilities and Net Position	**$ 1,281,746**

The accompanying notes are an integral part of this statement.

Notes to the Consolidated Balance Sheet for the Year Ended September 30, 2024

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity and Programs

The U.S. Department of Education (Department), a Cabinet-level agency of the executive branch of the U.S. government, was established by Congress under the *Department of Education Organization Act* (Public Law 96-88), which became effective on May 4, 1980. The mission of the Department is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

The Department is a component of the U.S. government. For this reason, some of the assets and liabilities reported by the Department may be eliminated for governmentwide reporting because they are offset by assets and liabilities of another U.S. government entity. The Consolidated Balance Sheet should be read with the realization that it is for a component of the U.S. government.

The Department is primarily responsible for administering federal student loan and grant programs and provides technical assistance to loan and grant recipients and other state and local partners. The largest portions of the Department's financial activities relate to the execution of loan and grant programs discussed below.

Federal Student Loan Programs. The Department administers direct loan, loan guarantee, and other student aid programs to help students and their families finance the cost of postsecondary education. These include the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program.

The Direct Loan Program, added to the *Higher Education Act of 1965* (HEA) in 1993 by the *Student Loan Reform Act of 1993*, authorizes the Department to make loans through participating schools to eligible undergraduate and graduate students and their parents. The Direct Loan Program offers four types of loans: Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students (PLUS), and Consolidation Loans. Evidence of financial need is required for an undergraduate student to receive a subsidized Stafford loan. The other three loan programs are available to borrowers at all income levels. Loans can be used only to meet qualified educational expenses.

The FFEL Program, authorized by the HEA, operates through state and private, nonprofit guaranty agencies that provided loan guarantees on loans made by private lenders to eligible students with reinsurance and interest subsidies provided by the Department. The *SAFRA Act,* which was included in the *Health Care and Education Reconciliation Act of 2010*, stated that no new FFEL loans would be made effective July 1, 2010. FFEL Program receivables include defaulted FFEL loans and acquired FFEL loans. Acquired FFEL loans include student loan assets acquired using temporary authority provided in the *Ensuring Continued Access to Student Loans Act of 2008* (ECASLA). ECASLA gave the Department temporary authority to purchase FFEL loans and participation interests in those loans. The Department implemented three activities under this authority: loan purchase commitments; purchases of loan participation interests; and a put, or forward purchase commitment, with an asset-backed commercial paper (ABCP) Conduit. This authority expired after September 30, 2010; as a result, loan purchase commitments and purchases of loan participation interests concluded. However, under the terms of the Put Agreement with the conduit, ABCP Conduit activity ceased operations in January 2014.

The Department also administers other credit programs for higher education. These include the Federal Perkins Loan program, the Teacher Education Assistance for College and Higher Education (TEACH) Grant program, the Health Education Assistance Loan (HEAL) program, and facilities loan programs that include the Historically Black Colleges and Universities (HBCU) Capital Financing program, along with low-interest loans to institutions of higher education (IHE) for the building and renovating of their facilities. (See Note 5)

Grant Programs. The Department has more than 100 grant programs. The three largest grant programs are Title I of the *Elementary and Secondary Education Act*, federal Pell Grant, and the *Individuals with Disabilities Education Act* (IDEA) grants. In addition, the Department offers other discretionary grants under a variety of authorizing legislation awarded using a competitive process, and formula grants using formulas determined by Congress with no application process.

COVID-19. Congress passed multiple COVID-19 relief bills in fiscal year (FY) 2020 and FY 2021 including the following that provided funding for educational purposes: the *Coronavirus Aid, Relief, and Economic Security Act* of 2020 (CARES Act), the *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (CRRSAA), and the *American Rescue Plan Act of 2021* (ARP). The largest component of the education funding provided by the COVID-19 relief appropriations established the Education Stabilization Fund, which includes the (1) Elementary and Secondary School Emergency Relief Fund, (2) Higher Education Emergency Relief Fund, (3) Governor's Emergency Education Relief Fund, and (4) funds for outlying areas. The Education Stabilization Fund is being distributed to recipients through various grant programs. During FY 2020 and FY 2021, the Department transferred $563 million of the funds to the Department of the Interior to be administered by the Bureau of Indian Education. (See Note 3)

The COVID-19 relief legislation and administrative actions during FYs 2020 through 2023 also provided support for student loan borrowers by:

- Temporarily suspending nearly all federal student loan payments, interest free through August 31, 2023.
- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals.
- Making temporary changes to the PSLF program to allow student borrowers to get credit for payments made while working for a qualifying employer.
- Addressing issues with IDR payment counting.

Funding for these actions was provided through indefinite appropriations.

Other regulatory flexibilities and incentives provided to help students through

COVID-19 included:

- Stopping all federal wage garnishments and collection actions for borrowers with federally held loans in default.
- Federal Supplemental Educational Opportunity Grants to provide emergency aid to students.
- Continuation of work-study payments, even if students can no longer work on-site.
- Pell Grants, financial aid, and loans originated for the spring 2020 term, which students who have had to leave college campuses will not have to pay back. Moreover, none of this aid will count against students' financial aid lifetime limits.
- Waiving satisfactory academic progress requirements to help ensure that students do not lose academic standing and the ability to receive federal financial student aid.
- Tax credits that incentivize employers to help pay for student loans.

Program Offices

The Department has three major program offices that administer most of its loan and grant programs:

- Federal Student Aid (FSA) administers financial assistance programs for students pursuing postsecondary education and makes available federal grants, direct loans, and work-study funding to eligible undergraduate and graduate students.
- The Office of Elementary and Secondary Education (OESE) assists state educational agencies (SEA) and local educational agencies (LEA) to improve the achievement of preschool, elementary, and secondary school students; helps ensure equal access to services leading to such improvement—particularly children with high needs; and provides financial assistance to LEAs whose local revenues are affected by federal activities.
- The Office of Special Education and Rehabilitative Services (OSERS) supports programs that help provide early intervention and special education services to children and youth with disabilities. OSERS also supports programs for the vocational rehabilitation of youth and adults with disabilities, including pre-employment transition services and other transition services designed to assist students or youth with disabilities, as applicable, to enter postsecondary education and achieve competitive integrated employment.

Other offices that administer programs and provide leadership, technical assistance, and financial support to states, LEAs, and IHEs for reform, strategic investment, and innovation in education include: the Office of Career, Technical, and Adult Education (OCTAE); Office of Postsecondary Education (OPE); Institute of Education Sciences (IES); and Office of English Language Acquisition (OELA). In addition, the Office for Civil Rights (OCR) works to ensure equal access to education through the vigorous enforcement of civil rights and the collection of data from public schools, promotes educational excellence throughout the nation, and serves student populations facing discrimination and the advocates and institutions promoting systemic solutions to civil rights issues.

Basis of Accounting and Presentation

The Consolidated Balance Sheet was prepared to report the financial position of the Department, as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. The Consolidated Balance Sheet was prepared from the books and records of the Department, in accordance with Generally Accepted Accounting Principles (GAAP) accepted in the United States for federal entities, issued by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as revised. FSA also issues a stand-alone Consolidated Balance Sheet that is included in their annual report.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Intradepartmental transactions and balances have been eliminated from the Consolidated Balance Sheet.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Accounting for Federal Credit Programs

The Department's accounting for its loan and loan guarantee programs is based on the requirements of the *Federal Credit Reform Act of 1990* (FCRA). The purpose of the FCRA is to record the lifetime subsidy cost (expense) of direct loans and loan guarantees, in present value terms, at the time the loan is disbursed (subsidy). Components of subsidy costs for loans and guarantees include defaults (net of recoveries); contractual payments to third-party, private loan collectors who receive a set percentage of amounts collected; and, as an offset, origination and other fees collected. For direct loans, the difference between interest rates incurred by the Department on its borrowings from the U.S. Department of Treasury (Treasury) and interest rates charged to particular borrowers is also subsidized (or may provide an offset to subsidy if the Department's rate is less).

The FCRA establishes the use of financing, program, and Treasury General Fund receipt accounts for loan guarantees committed and direct loans obligated after September 30, 1991.

- Financing accounts borrow funds from Treasury, make direct loan disbursements, collect fees from lenders and borrowers, pay claims on guaranteed loans, collect principal and interest from borrowers, earn interest from Treasury on any uninvested funds, and transfer excess subsidy to Treasury General Fund receipt accounts.
- Program accounts receive and obligate appropriations to cover the positive subsidy cost of a direct loan or loan guarantee when the loan is approved and disburses the subsidy cost to the financing account when the loan is issued. Program accounts also receive appropriations for administrative expenses.
- Treasury General Fund receipt accounts receive amounts paid from financing accounts when there are negative subsidies for new loan disbursements or downward re-estimates of the subsidy cost of existing loans.

When a loan is placed in deferment or forbearance, loan repayment is temporarily suspended with the length of postponement different for each borrower. Interest accrues while a loan is in deferment or forbearance for all loan types except subsidized Direct Loans. Loans are canceled if a person dies, meets disability requirements, or occasionally through the bankruptcy courts. Loans are also canceled through the Public Service Loan Forgiveness (PSLF) program, which forgives the remaining balance on a direct loan after 120 qualifying monthly payments are made. These payments must be made under a qualifying repayment plan while working full-time for a qualifying employer. In addition, the Department offers income-driven repayment plans under which borrowers may receive forgiveness of the remaining balance of their loans after 10, 20 or 25 years under certain rules.

Entity and Non-Entity Assets

Assets are classified as either entity or non-entity assets. Entity assets are those that the Department has authority to use for its operations. Non-entity assets are those held by the Department but not available for use in its operations. Non-entity assets are offset by liabilities to third parties and have no impact on net position. The Department combines its entity and non-entity assets on the Consolidated Balance Sheet and discloses its non-entity assets in the notes. (See Note 2)

Fund Balance with Treasury

Fund Balance with Treasury includes amounts available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received. Treasury processes cash receipts and cash disbursements for the Department. The Department's records are reconciled with Treasury's records. (See Note 3)

Accounts Receivable

Accounts receivable are amounts due to the Department from other federal agencies (intragovernmental) and the public (other than intragovernmental). Other than intragovernmental receivables result from overpayments to recipients of grants and other financial assistance programs, as well as disputed costs resulting from audits of educational assistance programs. Amounts due from federal agencies result from reimbursable agreements entered into by the Department with other agencies to provide various goods and services. Accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. The estimate of an allowance for loss on uncollectible accounts is based on the Department's experience in the collection of receivables and an analysis of the outstanding balances. (See Note 4)

Cash and Other Monetary Assets

Cash and other monetary assets are the federal government's interest in the program assets held by state and nonprofit FFEL Program guaranty agencies (guaranty agencies' federal funds). Section 422A of the HEA required FFEL guaranty agencies to establish federal student loan reserve funds. Guaranty agencies' federal funds include initial federal start-up funds, receipts of federal reinsurance payments, insurance premiums, guaranty agency share of collections on defaulted loans, investment income, administrative cost allowances, and other assets.

The balance of guaranty agencies' federal funds represents consolidated reserve balances of the 13 guaranty agencies based on the guaranty agency financial reports that each agency submits annually to the Department. Although the Department and the guaranty agencies operate on different fiscal years, all guaranty agencies are subject to an annual audit. A year-end valuation adjustment is made to adjust the Department's balances to comply with federal accounting principles and disclose funds held outside of Treasury.

Guaranty agencies' federal funds are classified as other than intragovernmental non-entity assets and are offset by a corresponding liability due to Treasury on the Department's Consolidated Balance Sheet. The funds are held by the guaranty agencies but can only be used for certain specific purposes listed in the Department's regulations. The guaranty agencies' federal funds are the property of the United States and are reflected in the President's Budget. Payments made to the Department from guaranty agencies' federal funds through a statutory recall or agency closures represent capital transfers and are returned to Treasury's General Fund. (See Note 2)

Loan Receivables, Net and Loan Guarantee Liabilities

The financial statements reflect the Department's estimate of the long-term subsidy cost of direct and guaranteed loans in accordance with the FCRA. Loans and interest receivable are valued at their gross amounts less an allowance for the present value of amounts not expected to be recovered, and thus having to be subsidized—called an "allowance for subsidy." The difference between the gross amount and the allowance for subsidy is the present value of the cash flows to, and from, the Department that are expected from receivables over their projected lives. Similarly, liabilities for loan guarantees are valued at the present value of the cash outflows from the Department less the present value of related inflows. The estimated present value of net long-term cash outflows of the Department for subsidized costs is net of recoveries, interest supplements, and offsetting fees.

The loan guarantee liabilities represent the net present value of all future cash flows from currently insured FFEL loans, including claim payments, interest assistance, allowance payments, and recoveries from assigned loans. Guaranteed loans that default are initially turned over to guaranty agencies for collection. Defaulted FFEL loans are accounted for as assets and reported at their net present value, similar to direct loans, although they are legally not direct student loans. Credit program receivables, net includes defaulted FFEL loans owned by the Department and held by the Department or guaranty agencies. In most cases, after approximately four years, defaulted guaranteed loans not in repayment are turned over by the guaranty agencies to the Department for collection.

FFEL Program receivables include purchased loans and other interests acquired under an expired program. The cash flows related to these receivables include collections on purchased loans and other activities, including transfers of re-estimated subsidy. The cash flows of these authorities also include inflows and outflows associated with the underlying or purchased loans and other related activities, including any positive or negative subsidy transfers.

Capitalization of interest occurs as a result of various initiatives, such as loan consolidations. As a result, interest receivable is reduced, and loan principal is increased. (See Note 5)

Property and Equipment, Net and Leases

The Department has very limited acquisition costs associated with buildings, furniture, and equipment as all Department and contractor staff are housed in leased buildings. The Department does not own real property for the use of its staff. The Department leases office space from the General Services Administration (GSA). The lease contracts with GSA for privately and publicly owned buildings are intragovernmental leases.

Starting in FY 2024, FASAB SFFAS 54, *Leases*, requires that Federal reporting entities report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

FASAB SFFAS 62, *Transitional Amendment to SFFAS 54*, provided reporting entities an option for a transitional accommodation to assist with implementation of this SFFAS 54, and the Department has elected to take this accommodation for FY 2024. SFFAS 62 amended the implementation section of SFFAS 54 by providing transitional accommodations to reporting entities implementing SFFAS 54 in the area of embedded leases. “Embedded leases” is a common industry term which generally describes contracts or agreements that contain lease component(s) and nonlease component(s), such as service components, and serve a primary purpose attributable to the nonlease component(s).

Under these amendments, reporting entities may elect not to assess whether contracts or agreements meeting the eligibility criteria for embedded leases are or contain lease component(s) as of October 1, 2023, as well as those subsequently entered into or modified through the end of the accommodation period. The contracts or agreements for which this accommodation is applied are accounted for as nonlease contracts or agreements for their remaining term, unless they are subsequently modified after the end of the accommodation period. The Statement requires reporting entities electing the accommodation to prospectively apply the provisions of SFFAS 54 to lease components of new or modified contracts or agreements meeting the embedded leases eligibility criteria, depending on the end of the elected accommodation period.

Liabilities

Liabilities represent actual and estimated amounts to be paid as a result of transactions or events that have already occurred. Liabilities are classified as covered by budgetary resources if budgetary resources are available to pay them. Credit program liabilities funded by permanent indefinite appropriations are also considered covered by budgetary resources.

Liabilities are classified as not covered by budgetary resources when congressional action is needed before they can be paid. Although future appropriations to fund these liabilities are likely, it is not certain that appropriations will be enacted to fund these liabilities. Liabilities not requiring appropriated budgetary resources include those related to deposit funds, Subsidy Due to Treasury General Fund for Future Liquidating Account Collections (pre-1992 loan guarantee programs), and Federal Perkins Loan program balances due to be repaid to the Treasury General Fund. (See Note 6)

Debt Associated with Loans

The Department borrows from Treasury to provide funding for the Direct Loan, FFEL, and other credit programs for higher education. The liability to Treasury from borrowings represents unpaid principal at year-end. The Department repays the principal based on available fund balances. Interest rates are based on the corresponding rate for 10-year Treasury securities and are set for those borrowings supporting each cohort of loans once the loans for that cohort are substantially disbursed. Interest is paid to Treasury on September 30. In addition, the Federal Financing Bank (FFB) holds bonds issued by a designated bonding authority, on behalf of the Department, for the HBCU Capital Financing program. The debt for other credit programs for higher education includes the liability for full payment of principal and accrued interest for the FFB-financed HBCU Capital Financing program. (See Note 7)

Subsidy Due to Treasury

The Department must transfer to the Treasury General Fund all excess funding resulting from downward re-estimates of credit program loans that are subject to FCRA requirements. This excess funding is included in the liability for subsidy due to Treasury and will be transferred to Treasury in the succeeding fiscal year upon receipt of authority from OMB. Subsidy due to Treasury also includes future liquidating account collections (estimated collections in excess of estimated outlays) for the Department's pre-1992 FFEL and HEAL loans that, when collected, will also be transferred to the Treasury General Fund. (See Note 8)

Accounts Payable

Accounts payable include amounts owed by the Department for goods and services received from other entities, as well as payments not yet processed. Other than intragovernmental accounts payable include in-process grant and loan disbursements.

Accrued Grant Liabilities

The Department records grant expenses as grantees drawdown funding on their available grant balances. Some grant recipients incur allowable expenditures as of the end of an accounting period but have not yet drawn on their available balances to be reimbursed by the Department. The Department accrues liabilities for these allowable expenditures. The liability amounts are estimated using a combination of historical data and a statistical sample survey of current unliquidated balances. Some grantees drawdown funding in advance of incurring grant expenditures. A statistical estimate is made for these advance drawdowns and is recorded as other than intragovernmental advances (see Note 4).

Personnel Compensation and Other Employee Benefits

Annual, Sick, and Other Leave. The liability for annual leave, compensatory time off, and other vested leave is accrued when earned and reduced when taken. Each year, the accrued annual leave account balance is adjusted to reflect current pay rates. Sick leave and other types of nonvested leave are expensed as taken. Annual leave earned but not taken, within established limits, is funded from future financing sources. (See Notes 6 and 9)

Retirement Plans and Other Retirement Benefits. Employees participate in either the Civil Service Retirement System (CSRS), a defined benefit plan, or the Federal Employees

Retirement System (FERS), a defined benefit and contribution plan. For CSRS employees, the Department contributes a fixed percentage of pay.

FERS consists of Social Security, a basic annuity plan, and the Thrift Savings Plan. The Department and the employee contribute to Social Security and the basic annuity plan at rates prescribed by law. In addition, the Department is required to contribute to the Thrift Savings Plan a minimum of 1 percent per year of the basic pay of employees covered by this system, match voluntary employee contributions up to 3 percent of the employee's basic pay, and match one-half of contributions between 3 percent and 5 percent of the employee's basic pay. For FERS employees, the Department also contributes the employer's share of Medicare.

Federal Employees' Compensation Act. The *Federal Employees' Compensation Act* (FECA) (Pub. L. 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Department for these paid claims.

The FECA liability consists of two elements. The first element, accrued FECA liability, is based on claims paid by DOL but not yet reimbursed by the Department. The Department reimburses DOL for claims as funds are appropriated for this purpose. In general, there is a two- to three-year period between payment by DOL and reimbursement to DOL by the Department. As a result, the Department recognizes an intragovernmental liability, not covered by budgetary resources, for the claims paid by DOL that will be reimbursed by the Department.

The second element, actuarial FECA liability, is the estimated liability for future benefit payments and is recorded as an other than intragovernmental liability, not covered by budgetary resources. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. DOL determines the actuarial FECA liability annually, as of September 30, using an actuarial method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value. (See Notes 6 and 9)

Net Position

The components of net position are classified on the Department's Consolidated Balance Sheet as follows:

Unexpended Appropriations. Unexpended Appropriations is the portion of the Department's appropriations received that are represented by undelivered orders or are unobligated.

Cumulative Results of Operations. Cumulative Results of Operations represents the accumulated net difference since inception between (1) expenses and (2) revenues and financing sources.

Allocation Transfers

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent activity (e.g. movement of unexpended appropriations which affect cumulative results of operations) performed by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

The Department is a party to allocation transfers as a parent entity to the Department of the Interior and receives allocation transfers as a child entity from the Department of Health and Human Services.

Taxes

The Department is a federal entity and is not subject to federal, state, or local taxes. Therefore, no provision for income taxes is recorded.

Use of Estimates

Department management is required to make certain estimates while preparing the Consolidated Balance Sheet in conformity with GAAP. These estimates are reflected in the assets, liabilities, and net position of the Consolidated Balance Sheet and may differ from actual results. The Department's estimates are based on management's best knowledge of current events, best available data, economic assumptions, historical experiences, and other assumptions that are believed to be reasonable under the circumstances. Significant estimates reported on the Consolidated Balance Sheet include: allowance for subsidy for direct, defaulted guaranteed, and acquired loans; the liability for loan guarantees; and grant liability and advance accruals. (See Notes 4 and 5)

The Department's estimates for credit programs are calculated using a series of assumption models that are updated using a statistically valid sample of National Student Loan Data System (NSLDS®) data, data from the Debt Management and Collection System, and economic assumptions provided by OMB. Actual results may differ from those assumptions and estimates. Differences between actual results and these estimates may occur in the valuation of credit program receivables and liabilities for loan guarantees under guidelines in the FCRA. The Department recognizes the sensitivity of credit reform modeling. Slight changes in modeling methodology or data used to derive assumptions can produce largely varied results. The Department therefore continually reviews its model factors and statistical modeling techniques to reflect the most accurate credit program costs possible in its annual financial statements. The Department updates its assumption models in accordance with its model update plan, which takes into consideration statutory or new program requirements, major changes to the model structure or methodology, and data updates. This level of granularity in the modeling methodology is essential to the financial reporting and budgeting processes so that the Department can forecast the costs of various program options when making policy decisions. (See Note 5)

NOTE 2. Non-Entity Assets

(Dollars in Millions)

	2024 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Non-Entity Assets		
Fund Balance with Treasury	$ 511	$ -
Loans Receivable, Net	-	1,429
Cash and Other Monetary Assets	-	576
Accounts Receivable, Net	-	31
Total Non-Entity Assets	**511**	**2,036**
Entity Assets	199,353	1,079,846
Total Assets	**$ 199,864**	**$ 1,081,882**

The Department's FY 2024 assets are predominantly entity assets (99.8 percent), leaving a small portion of assets remaining as non-entity assets. Non-entity intragovernmental assets primarily consist of balances in deposit and clearing accounts. Non-entity other than intragovernmental assets primarily consist of guaranty agency reserves (28.3 percent), reported as cash and other monetary assets, and Federal Perkins Loan program loan receivables (70.2 percent), reported as loan receivables, net. Federal Perkins Loan program receivables are a non-entity asset because the assets are held by the Department but are not available for use by the Department. The corresponding liabilities for non-entity assets are reflected in various accounts, including intragovernmental accounts payable, Guaranty Agencies' Federal Funds Due to Treasury, and other liabilities. (See Note 9)

NOTE 3. Fund Balance with Treasury

(Dollars in Millions)

	2024 (Unaudited)
Appropriated Funds	$ 101,841
Revolving Funds	77,776
Special Funds	12
Non-Budgetary: Trust Funds	1
COVID-19 Funds	19,548
All Other Funds	474
Total Fund Balance with Treasury	**$ 199,652**

In FY 2024, $669 million of unused funds from canceled appropriations was returned to Treasury. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with Treasury guidelines.

NOTE 4. Other Assets

(Dollars in Millions)

	2024 (Unaudited)			
	Intragovernmental		Other than Intragovernmental	
Accounts Receivable, Net	$	5	$	211
Advances to Others and Prepayments		207		19
Property and Equipment, Net		-		2
Total Other Assets	**$**	**212**	**$**	**232**

Included in the other than intragovernmental accounts receivable are amounts owed because of criminal restitution orders that are to be collected by the Department of Justice on behalf of the Department of Education. Amounts collected for these criminal restitutions are generally returned to the Treasury General Fund. Gross receivables and the allowance for uncollectible amounts as of September 30, 2024, related to criminal restitutions totaled $137 million, and $128 million, respectively.

NOTE 5. Loan Receivables, Net and Loan Guarantee Liabilities

Loans Receivable

(Dollars in Millions)

	2024 (Unaudited)							
	Principal		Accrued Interest		Allowance for Subsidy		Net	
Direct Loan Program	$	1,368,871	$	104,389	$	(431,965)	$	1,041,295
FFEL Program		73,596		23,487		(60,302)		36,781
Other Credit Programs for Higher Education		3,078		623		(703)		2,998
Total Loans Receivable	**$**	**1,445,545**	**$**	**128,499**	**$**	**(492,970)**	**$**	**1,081,074**

The federal student loan programs provide students and their families with the funds to help meet postsecondary education costs. Funding for these programs is provided through permanent indefinite budget authority.

As the net loans receivable represents the net present value of future cash flows, it is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

What follows is additional analysis for each of the loan programs.

Direct Loan Program

The federal government makes loans directly to students and parents through participating IHEs under the Direct Loan Program. Direct loans are originated and serviced through contracts with private vendors.

Direct Loan Program loan receivables include defaulted and nondefaulted loans owned by the Department. Of the $1,473.3 billion in gross loan receivables, as of September 30, 2024, $67.8 billion (4.6 percent) in loan principal was in default and had been transferred to the Department's defaulted loan servicer.

Direct Loan Program Loan Disbursements by Loan Type

(Dollars in Millions)

	2024 (Unaudited)
Stafford	$ 15,757
Unsubsidized Stafford	44,119
PLUS	25,674
Consolidation	62,156
Total Disbursements	**$ 147,706**

The allocation of disbursements for the first three loan types is estimated based on historical trend information.

Student and parent borrowers may prepay existing loans without penalty through a new consolidation loan. Under the FCRA and requirements provided by OMB regulations, the retirement of direct loans being consolidated is considered a collection of principal and interest. This receipt is offset by the disbursement related to the newly created consolidation loan. Underlying direct or guaranteed loans, performing or nonperforming, are paid off in their original cohort; new consolidation loans are originated in the cohort in which the new consolidation loan was obligated. Consolidation activity is taken into consideration in establishing subsidy rates for defaults and other cash flows. The cost of new consolidations is included in subsidy expense for the current-year cohort; the effect of prepayments on existing loans could contribute to re-estimates of prior cohort subsidy costs. The net receivables include estimates of future prepayments of existing loans through consolidations; they do not reflect subsidy costs associated with anticipated future consolidation loans.

Direct loan consolidations were $62.2 billion during FY 2024. The effect of the early payoff of the existing loans—those being consolidated—is recognized in the future projected cash flows associated with that cohort.

Direct Loan Subsidy Rates—Cohort 2024 (Unaudited)

	Interest Differential	Defaults	Fees	Other*	Total
Stafford	37.66%	2.55%	-1.06%	-12.93%	26.22%
Unsubsidized Stafford	36.95%	2.48%	-1.06%	-18.42%	19.95%
PLUS	18.59%	1.95%	-4.23%	-18.22%	-1.91%
Consolidation	38.55%	0.73%	0.00%	2.53%	41.81%
Weighted Average Total	**29.53%**	**2.08%**	**-1.36%**	**-10.61%**	**19.64%**

*The Other component reflects costs associated with loan cancelations and the interactive effects of payment plans on the components of subsidy.

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

The subsidy costs of the Department's student loan programs, especially the Direct Loan Program, are highly sensitive to changes in actual and forecasted interest rates. The formulas for determining program interest rates are established by statute; the existing loan portfolio has a mixture of borrower and lender rate formulas. Interest rate projections are based on probabilistic interest rate scenario inputs developed and provided by OMB.

Federal Family Education Loan Program

FFEL was established in FY 1965 and is a guaranteed loan program. As a result of the *SAFRA Act*, no new FFEL loans have been made since July 1, 2010. Federal guarantees on FFEL Program loans and commitments remain in effect for loans made before July 1, 2010, unless they were sold to the Department through an ECASLA authority (acquired FFEL loans), consolidated into a direct loan, or otherwise satisfied, discharged, or canceled.

FFEL Guaranteed Loans Outstanding

(Dollars in Billions)

	2024 (Unaudited)
Outstanding Principal of Guaranteed Loans, Face Value	$ 62.6
Amount of Outstanding Principal Guaranteed	$ 62.6

As of September 30, 2024, the total principal value of guaranteed loans outstanding and the amount of that principal which is guaranteed is approximately $62.6 billion. Additionally, the FFEL Program guarantees outstanding interest balances. As of September 30, 2024, the interest balances outstanding for guaranteed loans held by lenders was approximately $2.9 billion. The Department's total FFEL Program guarantees (principal and interest) are approximately $65.5 billion as of September 30, 2024. Of the total guaranteed amount, the Department would expect to pay a smaller amount to the guaranty agencies. The guarantee rates range from 75 to 100 percent of the principal and interest balance depending on the type of claim, when the loan was made, and the guaranty agency's claim experience. For purposes of disclosing the Department's total risk exposure for FFEL guarantees, the highest reimbursement rate of 100 percent is assumed.

Defaulted and acquired FFEL loans are accounted for as assets as shown in the following table.

FFEL Program Loan Receivables

(Dollars in Millions)

	2024 (Unaudited)			
	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
DEFAULTED FFEL GUARANTEED LOANS				
FFEL GSL Program (Pre-1992)	$ 3,067	$ 5,313	$ (8,240)	$ 140
FFEL GSL Program (Post-1991)	37,512	9,871	(36,290)	11,093
Total Defaulted FFEL Guaranteed Loans	**40,579**	**15,184**	**(44,530)**	**11,233**
ACQUIRED FFEL LOANS				
Loan Purchase Commitment	11,568	2,750	(7,686)	6,632
Loan Participation Purchase	20,321	5,164	(7,936)	17,549
ABCP Conduit	1,128	389	(150)	1,367
Total Acquired FFEL Loans	**33,017**	**8,303**	**(15,772)**	**25,548**
FFEL Program Loan Receivables	**$ 73,596**	**$ 23,487**	**$ (60,302)**	**$ 36,781**

Liabilities for Loan Guarantees

(Dollars in Millions)

	2024 (Unaudited)
Post-1991 FFEL Loan Guarantee Liability	$ 9,670
Pre-1992 FFEL Liquidating Account Liability for Loan Guarantees	6
FFEL Liabilities for Loan Guarantees	**9,676**
HEAL Liabilities for Loan Guarantees	256
Total Ending Balance for Liabilities for Loan Guarantees	**$ 9,932**

Other Credit Programs for Higher Education

Loans Receivables, Other Credit Programs for Higher Education

(Dollars in Millions)

	2024 (Unaudited)			
	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
Federal Perkins Loans	$ 1,323	$ 503	$ (397)	$ 1,429
TEACH Program Loans	829	81	(355)	555
HEAL Program Loans	362	34	5	401
Facilities Loan Programs	564	5	44	613
Total	**$ 3,078**	**$ 623**	**$ (703)**	**$ 2,998**

Federal Perkins Loan Program. Loans made through the Federal Perkins Loan program were low-interest federal student loans for undergraduate and graduate students with exceptional financial needs. Schools made these Perkins loans to their students and are responsible for servicing the loans throughout the repayment term. Borrowers who undertake certain public, military, or teaching service employment are eligible to have all or part of their loans canceled.

The Perkins Loan program was a revolving loan program where the loan repayments collected from former students were used to make new loans to current students. The Department provided most of the capital used by schools to make these loans to eligible students. Participating schools provided the remaining program funding. In some statutorily defined cases, funds were provided by the Department to reimburse schools for loan cancellations. The above schedule includes only Perkins loans that were assigned to the Department when schools discontinued their participation in the program. For these assigned Perkins loans, collections of principal, interest, and fees, net of amounts paid to cover contract collection costs totaled $93 million in FY 2024.

The *Federal Perkins Loan Program Extension Act of 2015* (Extension Act) eliminated the authorization for schools to make new Perkins loan disbursements as of September 30, 2017, and ended all Perkins loan disbursements by June 30, 2018. Before the authority for new Perkins loans ended, collections made by the schools would go back into each school's Perkins fund to be used to make more loans. Schools are required to return to the Department the federal share of any excess beyond what is needed (excess liquid capital).

Schools are not required to liquidate and close out their programs now that no new Perkins loans are being made. Schools continue to take in collections and are required to return the federal share of the capital that is collected to the Department on an annual basis. Schools returned $406 million to the Department in FY 2024 for the federal share of collected cash.

Beginning with the 2023 reporting year, as part of the wind-down of the Federal Perkins Loan Program, the Secretary began requiring schools to assign to the Department all Perkins Loans that have been in default for more than two years for which there have been no current collections. While the mandatory assignment policy has driven more schools to liquidate, the majority of schools are continuing to service existing portfolios to recover the money they contributed to their Perkins funds and will do so for as long as it is feasible or until the eventual wind-down of their portfolios. Schools that liquidate and close out their programs must transfer any outstanding portfolio to the Department and liquidate any final cash. Most recent data from the 2025-26 FISAP shows a $1.1 billion outstanding principal balance on Perkins loans held by schools and the Department's equity interest on this portfolio is $893 million.

The amounts collected by the Department annually for defaulted Perkins loans and for the return of the federal share of schools' Perkins capital contributions are returned to the Treasury General Fund.

TEACH Grant Program. The Department awards annual grants of up to $4,000 to eligible undergraduate and graduate students who agree to serve as full-time mathematics, science, foreign language, bilingual education, special education, or reading teachers at high-need schools for four years within eight years of graduation. The maximum lifetime grant for students is $16,000 for undergraduate programs and $8,000 for graduate programs. For students failing to fulfill the service requirement, the grants are converted to direct unsubsidized Stafford loans. The program is operated as a loan program under the FCRA for budget and accounting purposes since grants can be converted to direct loans.

TEACH Subsidy Rates—Cohort 2024 (Unaudited)

	Interest Differential	Defaults	Fees	Other	Total
Subsidy Rates	78.35%	2.03%	0.00%	-29.94%	50.44%

*The Other component reflects costs associated with loan cancelations and the interactive effects of payment plans on the components of subsidy.

HEAL Program. The Department assumed responsibility in FY 2014 for the HEAL program and the authority to administer, service, collect, and enforce the program. The HEAL program is structured as required by the FCRA. A liquidating account is used to record all cash flows to and from the government resulting from guaranteed HEAL loans committed before 1992. All loan activity for 1992 and beyond is recorded in corresponding financing accounts.

Facilities Loan Programs. The Department also administers the HBCU Capital Financing program. Since 1992, this program has given HBCUs access to financing for the repair, renovation, and in exceptional circumstances, the construction or acquisition of facilities, equipment, and infrastructure through federally insured bonds. The Department has authorized a designated bonding authority to make loans to eligible institutions, charge interest, and collect principal and interest payments. In compliance with HEA, as amended, the bonding authority maintains an escrow account to pay the principal and interest on bonds for loans in default.

The total amount of support for HBCU programs, along with any accrued interest and unpaid servicing fees, will be capitalized to principal and be reamortized through the original maturity date of June 1, 2037. The Department has approximately $559 million in outstanding borrowing from the FFB to support loans made to HBCU institutions and $1,070 million obligated to support near term lending as of September 30, 2024.

The Department administers the College Housing and Academic Facilities Loan program, the College Housing Loan program, and the Higher Education Facilities Loan program. From 1952 to 1993, these programs provided low-interest financing to IHEs for the construction, reconstruction, and renovation of housing, academic, and other educational facilities.

Note 6. Liabilities Not Covered by Budgetary Resources

(Dollars in Millions)

	2024 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Liabilities Not Covered By Budgetary Resources		
Unfunded Leave	$ -	$ 57
FECA Liabilities	3	13
Total Liabilities Not Covered By Budgetary Resources	**3**	**70**
Liabilities Not Requiring Budgetary Resources		
Subsidy Due to Treasury General Fund	333	-
Federal Perkins Loan Program	1,419	-
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	-	513
Custodial Liabilities	2	-
Total Liabilities Not Requiring Budgetary Resources	**1,754**	**513**
Total Liabilities Covered By Budgetary Resources	1,171,021	23,891
Total Liabilities	**$ 1,172,778**	**$ 24,474**

Note 7. Debt Associated with Loans

(Dollars in Millions)

	2024 (Unaudited)
	Ending Balance
Debt to the Bureau of Public Debt	
Direct Loan Program	$ 1,098,623
FFEL Program	56,073
Other Credit Programs for Higher Education	631
Total Debt to the Bureau of Public Debt	**1,155,327**
Debt to the Federal Financing Bank	
Other Credit Programs for Higher Education	559
Total Debt Associated with Loans	**$ 1,155,886**

The Department borrows from Treasury's Bureau of the Public Debt and the FFB to fund the disbursement of new loans and the payment of credit program outlays and related costs. The Department makes periodic principal payments after considering the cash position and liability for future outflows in each cohort of loans, as mandated by the FCRA.

Approximately 95.0 percent of the Department's debt, as of September 30, 2024, is attributable to the Direct Loan Program.

Debt to the FFB represents the liability for full payment of principal and accrued interest for the FFB-financed HBCU Capital Financing program. The current ending balance reflects the aggregate of new bonds administered and repayments made on previously issued bonds.

Note 8. Subsidy Due to Treasury

(Dollars in Millions)

	2024 (Unaudited)
Credit Program Downward Subsidy Re-estimates	
Direct Loan Program	$ 11,439
FFEL Program	3,103
Total Credit Program Downward Subsidy Re-estimates	**14,542**
Future Liquidating Account Collections	
FFEL Program	333
Total Future Liquidating Account Collections	**333**
Total Subsidy Due to Treasury General Fund	**$ 14,875**

Note 9. Other Liabilities

(Dollars in Millions)

	2024 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Federal Perkins Loan Program	$ 1,419	$ -
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	-	513
Liability for Advances and Prepayments	3	-
Accrued Funded Payroll and Leave	-	35
Accrued Unfunded Annual Leave	-	57
Employer Contributions and Payroll Taxes Payable	13	2
FECA Liabilities	3	13
Custodial Liabilities	2	-
Total Other Liabilities	**$ 1,440**	**$ 620**

NOTE 10. Commitments and Contingencies

The Department discloses contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*. The following commitments are amounts for contractual arrangements that may require future financial obligations.

Intragovernmental Leases

In accordance with SFFAS 54, *Leases*, the Department discloses information about intragovernmental lease activities. The Department leases from the GSA all or a portion of 14 privately owned and 9 publicly owned buildings in 18 cities. The table below presents the estimated future minimum lease payments for these privately and publicly owned buildings.

Future Minimum Intragovernmental Lease Payments

(Dollars in Millions)

2024 (Unaudited)		
2025	$	47
2026		45
2027		46
2028		42
2029		42
After 2029		43
Total	**$**	**265**

Guaranty Agencies

The Department may assist guaranty agencies experiencing financial difficulties. The Department has not done so in FY 2024 and does not expect to in future years, in part because the Department executed voluntary flexible agreements with 12 guaranty agencies effective October 1, 2024. The Department collaboratively negotiated these agreements to achieve the mutual goal of ensuring borrowers get greater outreach assistance to resolve their defaulted loans quickly while also providing stability for guaranty agencies—a key part of keeping the FFEL Program healthy as it continues its steady winddown. No provision has been made in the financial statements for potential liabilities.

Litigation and Other Claims

The Department is involved in various lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of pending litigation will not have a material impact on the Department's financial position. As appropriate, the Department would seek recovery of some costs from Treasury's Judgment Fund for any loss in litigation that may occur. The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the government if appropriated funds cannot be used.

The cost of loan forgiveness related to borrower defense claims reflected in the accompanying financial statements is limited to loans originated through September 30, 2024. The final disposition of claims filed and those yet to be filed from loans originated before September 30, 2024, is not expected to have a material impact on these financial statements.

Report of the Independent Auditors

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

November 14, 2024

The Honorable Miguel Cardona
Secretary of Education
Washington, D.C. 20202

Dear Secretary Cardona:

The enclosed Independent Auditors' Report (report) covers the consolidated balance sheet of the United States Department of Education (Department) as of September 30, 2024, and the related notes (the consolidated financial statement), to comply with the Chief Financial Officers Act of 1990, as amended. The report should be read in conjunction with the Department's consolidated financial statement to fully understand the context of the information contained therein.

We engaged the independent certified public accounting firm KPMG LLP (KPMG) to audit the consolidated financial statement of the Department as of September 30, 2024. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget bulletin, *Audit Requirements for Federal Financial Statements.* Following is a summary of the results reported in the Independent Auditors' Report.

Report on the Audit of the Consolidated Financial Statement

Disclaimer of Opinion

- KPMG has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because of errors identified in the underlying data used to calculate the subsidy re-estimates for the Department's direct loan and loan guaranty programs.

Report on Internal Control Over Financial Reporting

Material Weakness (Exhibit A)

- Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement.

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Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

Significant Deficiencies (Exhibit B)

- Information Technology Controls Need Improvement, and
- Entity Level Controls Need Improvement.

Report on Compliance and Other Matters

Compliance and Other Matters (Exhibit C)

- Federal Managers' Financial Integrity Act of 1982, and
- Federal Financial Management Improvement Act of 1996 (FFMIA).

In connection with the contract, the Office of Inspector General reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the consolidated financial statement in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Department's consolidated financial statement or internal control over financial reporting, or conclusions on whether the Department's financial management systems complied substantially with the three FFMIA requirements, or on compliance and other matters. KPMG is responsible for the report dated November 14, 2024, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.
We appreciate the cooperation given KPMG and my office during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 245-6900.

Sincerely,

Sandra D. Bruce
Inspector General

Enclosure

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
United States Department of Education

Secretary
United States Department of Education:

Report on the Audit of the Consolidated Financial Statement

Disclaimer of Opinion

We were engaged to audit the consolidated balance sheet of the United States Department of Education (Department) as of September 30, 2024, and the related notes to the consolidated financial statement.

We do not express an opinion on the accompanying consolidated financial statement of the Department. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statement.

Basis for Disclaimer of Opinion

During fiscal year 2024, we identified errors in the underlying data used to develop assumptions used to calculate the subsidy re-estimates for the Department's direct loan and loan guaranty programs. In addition, management identified other errors in the underlying data used in the subsidy re-estimates calculation. However, management was unable to determine the extent of the impact of these issues on the balance sheet and related notes. As a result of this matter, we were unable to determine whether any adjustments to the balance sheet might have been necessary with respect to the fiscal year 2024 Loan Receivables, Net – Direct Loan Program; Loan Receivables, Net – Federal Family Education Loan (FFEL) Program; Subsidy Due to Treasury; Loan Guarantee Liabilities; Unexpended Appropriations; Cumulative Results of Operations; and the related notes.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the fiscal year 2024 Agency Financial Report to provide additional information for the users of its consolidated financial statement. Such information is not a required part of the consolidated financial statement or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statement that is free from material misstatement, whether due to fraud or error.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

KPMG

Auditors' Responsibilities for the Audit of the Consolidated Financial Statement

Our responsibility is to conduct an audit of the Department's consolidated financial statement in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards,* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this consolidated financial statement.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statement. Such information is the responsibility of management and, although not a part of the basic consolidated financial statement, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statement in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with GAAS because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the Department's consolidated financial statement as of September 30, 2024, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibits, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Exhibit A, *Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement*, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibit B, *Information Technology Controls Need Improvement* and *Entity Level Controls Need Improvement,* to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the Department's consolidated financial statement as of September 30, 2024, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statement. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02, and which are described in Exhibit C.

We also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements and (2) applicable Federal accounting standards The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the United States Government Standard General Ledger at the transaction level.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statement, other instances of noncompliance or other matters may have been identified and reported herein.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our engagement and described in Exhibit D. The Department's response was not subjected to the other auditing procedures applied in the engagement to audit the consolidated financial statement and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 14, 2024

Exhibit A

Material Weakness

Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement

Background:

The material weakness under this section is related to the Department's Direct and FFEL student loan portfolios.

The Department is required to perform interest rate and technical re-estimates of the subsidy costs (commonly referred to as subsidy re-estimates) of its direct loan and loan guaranty programs as of September 30 every year.

These subsidy re-estimates are calculated using an internally developed cash flow model, the Student Loan Model (SLM). The SLM utilizes assumptions based on internally sourced data elements from Information Technology (IT) systems. The future cash flow outputs generated from the SLM are input into the format required by the Office of Management and Budget (OMB) Credit Subsidy Calculator (CSC), a required present value discount tool for agencies with credit reform programs, to produce the subsidy re-estimates.

Condition:

Management did not design and implement sufficiently precise controls over the relevance and reliability of certain data used in key assumptions for the SLM.

Cause/Effect:

Management's risk assessment process did not sufficiently analyze the risks related to the relevance and reliability of the underlying data used in significant assumptions for the subsidy re-estimates to determine the need for additional controls. This condition led to errors in the subsidy re-estimates and increases the risk that the balance sheet and related notes could be materially misstated.

Criteria:

The following criteria were considered in the evaluation of the material weakness presented in this exhibit:

- The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (the Green Book), Principle 6, *Define Objectives and Risk Tolerances;* Principle No. 7, *Identify, Analyze, and Respond to Risks;* Principle No. 10, *Design Control Activities*; Principle No. 13, *Use Quality Information*; Principle No. 14, *Communicate Internally*.
- FASAB Technical Release 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reforms Act*, Paragraph 20.

Recommendation:

We recommend that management design and implement additional controls that respond to the risks associated with the relevance and reliability of underlying data used in developing the assumptions related to the subsidy re-estimates. Such review should be documented and maintained.

A-1

Exhibit B

Significant Deficiencies

A. Information Technology Controls Need Improvement

The following control deficiencies in the areas of Information Technology (IT) logical access, security management, segregation of IT duties, application change management, and computer operations are related to both the Department and Federal Student Aid (FSA) systems.

Conditions:

In prior years, we reported a significant deficiency related to the Department and FSA's IT controls due to persistent unmitigated IT control deficiencies. During FY 2024, the Department management and FSA management demonstrated progress implementing corrective actions to remediate some prior-year deficiencies, such as logical access and application change management controls. However, the Department management and FSA management have not fully remediated prior-year deficiencies related to security management, logical access administration, separated and transferred user access removal, user access reviews and recertification, and computer operations. New and existing IT control deficiencies related to access controls and change management controls for the Department's core financial management system and administration of the network service directory, two of FSA's financial and mixed systems, and one identity and access management support system are as follows:

Department:

1. Deficiencies in IT logical access controls: Access controls for new and separated contractors were not consistently and accurately performed, including the inconsistent reporting of start and termination effective dates. Further, the access controls were not consistently followed for the Department's core financial management system and the network service directory. Specifically,

a. Documentation supporting the authorization and approval of requested application access, completed role-based trainings and security clearance reinvestigations for new and modified users could not be provided;

b. Least privilege concepts were not followed for network service directory privileged accounts that no longer required network service directory access or were inactive, but not disabled according to Department and NIST requirements;

c. Evidence supporting completed access reviews was not provided and/or evidence supporting complete and accurate access reviews and recertifications was not provided or retained;

d. Password controls and system security settings were not designed to meet the Department's requirements; and

e. Deficiencies in IT controls related to the segregation of IT duties: For one of the Department's core financial management systems, a user with developer access to the code repository had access greater than read-only to the system's production environment. Additionally, least privilege concepts were not followed for two users who were assigned administrator permissions on their non-privileged accounts and their patch management tool accounts.

2. Deficiencies in IT application change management controls: The application change management policies and controls were not consistently followed for the Department's core financial management system in accordance with Department policy. The Department did not provide sufficient evidence to support testing approvals for certain application changes.

3. Deficiencies in IT computer operations controls: Controls over computer operations were not properly designed and implemented. Specifically,

a. Changes to the job processing and scheduling tools were not centrally tracked;

b. Changes were made directly in the production environment; and

c. The use and monitoring of generic and shared accounts for the job scheduling tool did not follow the Department's requirements.

FSA:

4. Deficiencies in IT security management controls: Management did not effectively operate corrective action, remediation, and quality review controls for IT security weaknesses. Specifically, Plan of Action and Milestone (POA&M) closure documentation for three FSA systems and one identity and access management system did not always address the root cause of the deficiencies, thereby increasing the potential of IT control deficiencies reoccurring in the future.

5. Deficiencies in IT logical access controls: The access control processes were not consistently followed for two FSA systems and one identity and access management system. Specifically,

a. Evidence supporting complete and accurate access listings and evidence supporting new, modified, or separated users was not provided or was provided with missing required information and/or approvals;

b. Unauthorized access was provisioned and/or access was provisioned without adhering to the least privileged principle;

c. Evidence supporting complete and accurate access reviews and recertification controls was unavailable, was not retained, or access reviews were not completed as required by Department and FSA requirements; and

d. Password controls and system security settings were not designed to meet the Department's requirements.

Cause/Effect:

Management has not performed effective risk assessments and there was a lack of effective monitoring controls over the effectiveness of designed control activities by the Department and FSA to ensure the following:

1. System deficiencies, including those identified during external audits, have a documented POA&M and are tracked in the required security management tool. Additionally, corrective actions to remediate prior-year conditions and associated causes are fully implemented, as well as verifying and validating that these corrective actions were effectively addressing the weakness with adequately documented supporting evidence.

2. Systems and support processes consistently adhered to documented agency-wide policies and procedures for the financial and mixed systems hosted and managed by FSA and the Department.

3. The established logical access control process is followed and requests and related evidence for new, modified, or separated or inactive users were retained, documented completely and accurately, and approved.

4. Complete and accurate access reviews are performed to detect and mitigate the risk of unauthorized accounts, access that is not commensurate with job responsibilities or least privilege, and access permissions not being revoked timely.

B-2

5. Password controls and system security settings are designed to meet the Department's requirements.

6. Segregation of duties and least privilege principles are followed and enforced.

7. The established application change process is followed.

8. The established process for job processing changes is followed and the requirements for the use and monitoring of generic/shared accounts controls for the job scheduling tool are followed and enforced.

9. The established computer operations process detects and/or prevents unauthorized changes to the job processing tool and schedules within the core financial system environment.

Ineffective IT controls increase the risk of unauthorized use, disclosure, disruption, modification, or destruction of information, and information systems that could impact the integrity and reliability of information processed in the associated applications which may lead to misstatements of the financial statements.

Criteria:

The following criteria were considered in the evaluation of the significant deficiency presented in this exhibit:

- The Green Book, Principle No. 3 *Establish Structure, Responsibility, and Authority*, Principle No. 4, *Demonstrate Commitment to Competence*, Principle No. 6, *Define Objectives and Risk Tolerances,* Principle No.10, *Design Control Activities*, Principle No. 11, *Design Activities for the Information System*, Principle No. 13, *Use Quality Information*, Principle No.16, *Internal Control System Monitoring,* Principle No.17, and *Evaluate Issues and Remediate Deficiencies*.
- Federal Information Processing Standards (FIPS) 200, *Minimum Security Requirements for Federal Information and Information Systems.*
- National Institute of Standards and Technology Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Revision 5, Release 5.1.1, specifically security control requirements PM-4 *Plan of Action and Milestone Process*, AC-2 *Account Management*, AC-5 *Separation of Duties*, AC-6 *Least Privilege*, AC-7 *Unsuccessful Logon Attempts,* AT-3 *Role-based Training*, AT-4 *Training records*, IA-2 *Identification and Authentication (Organizational Users)*, PS-3 *Personnel Screening, and* CM-3 *Configuration Change Control*.

Recommendations:

We recommend that the Department:

1. Evaluate, design, and implement controls to track and report all new and separated contractors to allow for timely onboarding or off-boarding, respectively.

2. Provide training and oversight to the Department's personnel with access authorization and provisioning controls and ensure all requirements are met and documented prior to granting system and network service directory access.

3. Update access review procedures to require the reviewers to verify the access lists received to be used in the performance and operation of the access reviews is complete and accurate and not modified prior to commencing the access reviews.

4. Ensure the database, server layer, and network service directory controls comply and operate with the disabling of inactive accounts, PIV authentication, account lockout duration password setting requirements, as required by Department policy.

B-3

5. Following established user access provisioning procedures detailed in the Federal and Department guidance to authorize access and assign roles that are commensurate with job functions and do not violate the least privilege principle.

6. Oversee the Department's systems change management process to enforce adherence to the change management plan to ensure relevant documentation and approvals are properly completed prior to closing the change ticket.

7. Update the Department's systems' change management plan to require program change supporting documentation, such as approvals, be retained.

8. Develop and implement formal procedures addressing controls over the Department's systems':

a. Changes to production jobs, and schedules; and

b. Monitoring of actions taken by the generic job processing account in the job scheduling tool, including management of the password for the generic account.

We recommend that FSA:

9. Design and implement controls to evaluate the magnitude of impact, likelihood of occurrence, and nature of the deficiency in order to tailor the corrective actions to remediate the risk and address the root cause. Further, update guidance to ensure that quality reviews over the POA&M closure documentation are conducted to confirm the noted deficiencies are fully addressed to help prevent future reoccurrences.

10. Formally develop and implement a quality control review process to ensure that logical access control processes are followed completely and accurately to validate logical access requests, reviews, and recertifications.

11. Enforce established access authorization and provisioning controls and ensure all requirements are met and documented prior to granting system access. Follow established user access provisioning procedures detailed in the Federal, Department, and FSA guidance to authorize system access and assign roles that are commensurate with job functions and do not violate the least privilege principle.

12. Update access review procedures to require the reviewers to verify the access lists received to be used in the performance and operation of the access reviews is complete and accurate and not modified prior to commencing the access reviews.

13. Perform and formally document the periodic reviews of all application user accounts in accordance with Department policy to confirm access is current, authorized, commensurate with job responsibilities, and follow the concept of least privileged.

14. Ensure the application access controls comply and operate with the PIV authentication requirements, as required by Department policy.

B-4

B. Entity Level Controls Need Improvement

A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system. The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. The Department and FSA need to address weaknesses in its entity-wide control environment as we have observed, through our procedures, two entity-wide control environment conditions in the areas of risk assessment and monitoring activities that have a pervasive influence on the effectiveness of controls.

Conditions:

1. Risk Assessment- The Department and FSA's entity level controls were not sufficiently designed and implemented in order to define objectives related to financial reporting processes to enable the identification of risks, define risk tolerances and identify controls responsive to those risks.

2. Monitoring Activities- The Department and FSA's entity level controls were not sufficiently designed and implemented in order to remediate identified internal control deficiencies in a timely manner.

Cause/Effect:

1. Inadequate risk assessment throughout the Department and FSA prevented the proper identification and analysis of certain risks related to the financial reporting process at the Department and FSA, and from designing appropriate risk responses.

2. Insufficient monitoring prevented the Department and FSA from implementing corrective action plans and remediating control deficiencies timely.

The conditions noted above contributed to the control deficiencies described earlier in Exhibits A and B.A and could lead to other weaknesses in internal control over financial reporting.

Criteria:

The following criteria were considered in the evaluation of the significant deficiency presented in this Exhibit:

- The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (the Green Book), Principle 6, *Define Objectives and Risk Tolerances*; Principle No. 7, *Identify, Analyze, and Respond to Risks*; Principle No.17, and *Evaluate Issues and Remediate Deficiencies*.

Recommendations:

We recommend that management:

1. Improve the risk assessment process at the financial statement assertion level and at the process level to ensure the Department and FSA are appropriately defining objectives to enable the identification of risks and define risk tolerances.

2. Implement key monitoring controls to ensure that corrective action plans are implemented to timely remediate control deficiencies identified. In addition, increase oversight, review, and accountability over the process among various offices and directorates within the Department and FSA.

Exhibit C

Compliance and Other Matters

A. Federal Managers' Financial Integrity Act of 1982 (FMFIA)

Condition:

Management performed its internal control assessment as required under FMFIA; however, management's assessment did not substantially comply with FMFIA and the related OMB A-123 requirements. Specifically, management did not consistently identify and document financial statement level risks and controls that are responsive to those risks.

Cause/Effect:

Management did not substantially meet FMFIA requirements due to an inadequate risk assessment over the key processes and data used in the consolidated financial statement. In addition, management did not consider relevant FMFIA and OMB Circular No. A-123 requirements when performing their evaluation of internal controls.

This resulted in the lack of timely identification of errors in data that impacted subsidy re-estimates in the consolidated financial statement. Furthermore, management could not determine the effect of these errors on the consolidated financial statement.

Criteria:

The following criteria were considered in the evaluation of the compliance matter presented in this Exhibit:

- Section 2 of FMFIA.
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

Recommendation:

We recommend that management update the risk assessment process related to the evaluation of internal controls to ensure it sufficiently addresses risks within key processes, key data, and other material line items on the consolidated financial statement.

B. Federal Financial Management Improvement Act of 1996 (FFMIA)

Condition:

Management did not establish and maintain financial management systems that substantially comply with the Federal financial management systems requirements and Federal accounting standards requirements of FFMIA. Specifically, management was unable to provide evidence to support that the cash flow projections used in the subsidy re-estimates are based on relevant and reliable data.

Cause/Effect:

Management did not substantially comply with the FFMIA requirements due to an inadequate risk assessment over the key processes and data used in the consolidated financial statement.

This condition increases the risk that transactions could be materially misstated in the consolidated financial statement.

Criteria:

The following criteria were considered in the evaluation of the compliance matter presented in this Exhibit:

- Section 803(a) of FFMIA
- Appendix D to OMB Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*
- Statement of Federal Financial Accounting Standards 2: Accounting for Direct Loans and Loan Guarantees

Recommendation:

We recommend that management implement the recommendation presented in the material weakness in Exhibit A.

C-2

Exhibit D

Management's Response

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF FINANCE AND OPERATIONS

November 08, 2024

MEMORANDUM

TO: Sean Dawson
Assistant Inspector General for Audit

FROM: Richard J. Lucas RICHARD LUCAS Digitally signed by RICHARD LUCAS Date: 2024.11.08 11:17:57 -05'00'
Delegated the Duties of the Assistant Secretary, Office of Finance and Operations, and Chief Financial Officer

Thomas N. Flagg Digitally signed by THOMAS FLAGG Date: 2024.11.08 11:46:46 -05'00'
Chief Information Officer

SUBJECT: DRAFT INDEPENDENT AUDITORS' REPORT
Fiscal Year 2024 Financial Statement
U. S. Department of Education
ED-OIG/A24FS0168

We appreciate the opportunity to provide input on the draft audit report and would like to thank the Office of Inspector General audit team for their partnership and support during the annual audit.

The Department concurs with the findings and will take the appropriate actions to address the audit recommendations. The agency takes its fiscal responsibilities seriously and will make it a priority to implement business processes and internal controls to resolve the issues raised in the audit feedback as we continue to strive to return to an unmodified opinion in the future.

Please contact Gary Wood, Deputy Assistant Secretary, Acting Deputy Chief Financial Officer, Office of Finance and Operations at gary.wood@ed.gov with any questions or comments.

1

400 MARYLAND AVE., S.W., WASHINGTON, DC 20202
www.ed.gov

The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

D-1

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Other Information

(Unaudited)

About the Other Information Section

The Other Information section includes:

Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources (Unaudited)

The **Consolidated Statement of Net Cost (Unaudited)** shows, by program, the net cost of operations for the reporting period. Net cost of operations consists of full program costs incurred by the Department less exchange revenues earned by those programs.

The **Consolidated Statement of Changes in Net Position (Unaudited)** presents the Department's beginning and ending net position by two components—Unexpended Appropriations and Cumulative Results of Operations. It summarizes the change in net position by major transaction category. The ending balances of both components of the net position are also reported on the Consolidated Balance Sheet.

The **Combined Statement of Budgetary Resources (Unaudited)** presents the budgetary resources available to the Department, the status of these resources, and the outlays of budgetary resources.

The **Notes to the Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources (Unaudited)** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

Note 11.	Other Accounting Policies
Note 12.	Property and Equipment
Note 13.	Credit Program Subsidy Expense and Reconciliations of Loans Receivable, Allowance for Subsidy, and Liabilities for Loan Guarantees
Note 14.	Roll-Forward of Debt Associated with Loans
Note 15.	Net Cost of Operations
Note 16.	COVID-19 Activity
Note 17.	Statement of Budgetary Resources
Note 18.	Reconciliation of Net Cost to Net Outlays
Note 19.	Reclassification of Statement of Net Cost and Statement of Operations and Changes in Net Position for Financial Report Compilation Process
Note 20.	Other Matters

Required Supplementary Information (Unaudited)

This section contains the Combining Statements of Budgetary Resources for the year ended September 30, 2024.

Office of Inspector General's (OIG) Management and Performance Challenges for Fiscal Year 2025

The Management and Performance Challenges Report provides a summary of what the Office of Inspector General (OIG) believes are the Department's biggest challenges for FY 2025. The OIG identified the following four challenges: (1) Oversight and Monitoring of Student Financial Assistance Programs, (2) Oversight and Monitoring of Grantees, (3) Data Quality and Reporting, and (4) Information Technology Security. The full report is available at the **OIG website**.

Summary of Financial Statement Audit and Management Assurances

The Summary of Financial Statement Audit and Management Assurances provides information about the material weaknesses reported by the Department or through the audit process.

Payment Integrity Information Act Reporting

This section summarizes the U.S. Department of Education's (Department) efforts to maintain payment integrity and to develop effective controls designed to prevent, detect, and recover improper payments. It also includes information regarding the Department's high-risk programs.

Civil Monetary Penalty Adjustment for Inflation

This section reports on the Department's annual inflation adjustments to civil monetary penalties as required under the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*.

Climate Adaptation Plan

This section summarizes the Department's FY 2024–2027 Climate Adaptation Plan.

The Grants Oversight and New Efficiency Act of 2016 (GONE Act) and Education's Grant Closeout Process

This section provides a high-level summary of the Department's expired, but not closed, federal grants and cooperative agreements.

The Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources (Unaudited)

U.S. Department of Education
Consolidated Statement of Net Cost
For the Year Ended September 30, 2024

(Dollars in Millions)

		FY 2024 (Unaudited)
PROMOTE EQUITY FOR PREKINDERGARTEN THROUGH GRADE 12 STUDENTS WITH ACCESS TO EDUCATIONAL RESOURCES, OPPORTUNITIES, AND INCLUSIVE ENVIRONMENTS		
Gross Costs	$	101,287
Earned Revenue		(102)
Net Program Costs	**$**	**101,185**
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETION, AND POST-ENROLLMENT SUCCESS		
Direct Loan Program		
Gross Costs	$	93,552
Earned Revenue		(31,196)
Net Cost of Direct Loan Program	**$**	**62,356**
FFEL Program		
Gross Costs	$	7,049
Earned Revenue		(2,327)
Net Cost of FFEL Program	**$**	**4,722**
Other Credit Programs for Higher Education		
Gross Costs	$	70
Earned Revenue		(606)
Net Cost (Surplus) of Other Credit Programs for Higher Education	**$**	**(536)**
Non-credit Programs		
Gross Costs	$	50,708
Earned Revenue		(11)
Net Cost of Non-credit Programs	**$**	**50,697**
Net Program Costs	**$**	**117,239**
Total Program Gross Costs	**$**	**252,666**
Total Program Earned Revenue	**$**	**(34,242)**
Net Cost of Operations (Notes 15 and 18)	**$**	**218,424**

The accompanying notes are an integral part of these statements.

U.S. Department of Education
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2024

(Dollars in Millions)

	FY 2024 (Unaudited)	
	Unexpended Appropriations	Cumulative Results of Operations
Beginning Balances	**$ 171,562**	**$ (67,196)**
Appropriations Received	218,866	-
Appropriations Transferred - In/Out	4	-
Other Adjustments (Rescissions, etc.)	(1,235)	-
Appropriations Used	(277,670)	277,670
Nonexchange Revenue	-	8
Imputed Financing from Costs Absorbed by Others	-	84
Negative Subsidy Transfers, Downward Subsidy Re-estimates, and Other	-	(19,175)
Net Cost of Operations	-	(218,424)
Net Change	**$ (60,035)**	**$ 40,163**
Net Position	**$ 111,527**	**$ (27,033)**

The accompanying notes are an integral part of these statements.

U.S. Department of Education
Combined Statement of Budgetary Resources
For the Year Ended September 30, 2024

(Dollars in Millions)

	FY 2024 (Unaudited)	
	Budgetary	**Non-Budgetary Credit Reform Financing Accounts**
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority (Net) (Note 17)	$ 22,410	$ 30,659
Appropriations (Discretionary and Mandatory)	217,966	340
Borrowing Authority (Discretionary and Mandatory) (Note 17)	-	136,204
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	490	105,522
Total Budgetary Resources	**$ 240,866**	**$ 272,725**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments (Total)	$ 228,244	$ 222,895
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	6,021	-
Unapportioned, Unexpired Accounts	634	49,830
Unexpired Unobligated Balance, End of Year	**$ 6,655**	**$ 49,830**
Expired Unobligated Balance, End of Year	5,967	-
Unobligated Balance, End of Year (Total)	**$ 12,622**	**$ 49,830**
Total Status of Budgetary Resources	**$ 240,866**	**$ 272,725**
OUTLAYS, NET, AND DISBURSEMENTS, NET		
Outlays, Net (Discretionary and Mandatory)	$ 273,146	
Distributed Offsetting Receipts (-) (Note 17)	(5,226)	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 17 and 18)	**$ 267,920**	
Disbursements, Net (Total) (Mandatory)		**$ (44,623)**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources for the Year Ended September 30, 2024 (Unaudited)

NOTE 11. Other Accounting Policies

Basis of Accounting and Presentation

These financial statements were prepared to report the net cost of operations, changes in net position, and budgetary resources of the Department, as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. The financial statements were prepared from the books and records of the Department, in accordance with Generally Accepted Accounting Principles (GAAP) accepted in the United States for federal entities, issued by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as revised. For FY 2024, the Department elected to present these financial statements as unaudited and include them in the Other Information section. These financial statements are different from the financial reports prepared by the Department pursuant to OMB directives that are used to monitor and control the use of budgetary resources. FSA also issues stand-alone financial statements that are included in their annual report.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Subsidy Cost and Budgetary Accounting for Federal Credit Programs

Under the FCRA, subsidy cost is estimated using the net present value of future cash flows to and from the Department. In accordance with the FCRA, credit programs either estimate a subsidy cost to the government (a "positive" subsidy), breakeven (zero subsidy cost), or estimate a negative subsidy cost. Negative subsidy occurs when the estimated cost of providing loans to borrowers from Treasury borrowing, collection costs, and loan forgiveness is less than the value of collections from borrowers for interest and fees, in present value terms.

Subsidy cost is an estimate of the present value cost of providing direct loans but excludes the administrative costs of issuing and servicing the loans. The Department estimates subsidy costs using a set of econometric and financial models, as well as cash flow models.

The Department estimates subsidy costs annually for new loans disbursed in the current year; updates to the previous cost estimates for outstanding loans disbursed in prior years (subsidy re-estimates); and updates to previous cost estimates based on new legislation or other government actions that change the terms of existing loans (loan modifications) that alter the estimated subsidy cost and the present value of outstanding loans. Loan modifications can also include modification adjustment gains and losses to account for the difference between the discount rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest.

The subsidy costs of direct loan and loan guarantee programs are budgeted and tracked by the fiscal year in which the loan award is made, or the funds committed. Such a grouping of loans or guarantees is referred to as a "cohort." A cohort is a grouping of direct loans obligated or loan guarantees committed by a program in the same year even if disbursements occur in subsequent years.

To account for the change in the net present value of the loan portfolio over time, the subsidy cost is amortized each year. Amortization accounts for the differences in interest rates, accruals, and cash flows over the life of a cohort, ensuring that cost is reflected in subsidy estimates and re-estimates. Amortization of subsidy is calculated as the difference between interest received from borrowers and Treasury (on uninvested funds) and interest paid to Treasury on borrowings.

The Department records an obligation each year for direct loan awards to be made in a fiscal year based on estimates of schools' receipt of aid applications. The Department advances funds to schools based on these estimates.

Half of all loan awards are issued in the fourth quarter of the fiscal year. Loans awarded are typically disbursed in multiple installments over an academic period. As a result, loans may be disbursed over multiple fiscal years. Loan awards may not be fully disbursed due to students leaving or transferring to other schools. The Department's obligation estimate may also not reflect the actual amount of awards made. Based on historical averages, the Department expects approximately 6.3 percent of the amount obligated for new loan awards will not be disbursed.

BUDGETARY TERMS

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to the Department by law and help ensure compliance with the law.

Budgetary resources are amounts that are available to incur and liquidate obligations in a given year. The Department's budgetary resources include unobligated balances of resources from prior years and new resources, which include appropriations, authority to borrow from Treasury, and spending authority from collections. Obligations are legally binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Borrowing authority is an indefinite budgetary resource authorized under the FCRA. This resource, when realized, finances the unsubsidized portion of the Direct Loan, FFEL, and other loan programs. In addition, borrowing authority is requested to cover the cost of the initial loan disbursement as well as any related negative subsidy to be transferred to Treasury General Fund receipt accounts. Treasury prescribes the terms and conditions of borrowing authority and lends to the financing account amounts as appropriate. Amounts borrowed, but not yet disbursed, are included in uninvested funds and earn interest. Treasury uses the same weighted average interest rates for both the interest charged on borrowed funds and the interest earned on uninvested funds. Treasury sets a different fixed interest rate to be used for each loan cohort once the loans are substantially disbursed. The Department may carry forward borrowing authority to future fiscal years if cohorts are disbursing loans. All borrowings from Treasury are effective on October 1 of the current fiscal year, regardless of when the Department borrowed the funds, except for amounts borrowed to make annual interest payments.

Authority to borrow from Treasury provides most of the funding for disbursements made under the Direct Loan, FFEL, and other loan programs. Subsidy and administrative costs of the programs are funded by appropriations. Borrowings are repaid using collections from borrowers, fees, and interest on uninvested funds.

Unobligated balances represent the cumulative amount of budgetary resources that are not obligated and that remain available for obligation under law, unless otherwise restricted. Resources expiring at the end of the fiscal year remain available for five years, but only for upward adjustments of prior-year obligations, after which they are canceled and may not be used. Resources that have not expired at year-end are available for new obligations, as well as upward adjustments of prior-year obligations. Funds are appropriated on an annual, multiyear, or no-year basis. Appropriated funds expire on the last day of availability and are no longer available for new obligations. Amounts in expired funds are unavailable for new obligations but may be used to adjust previously established obligations.

Permanent Indefinite Budget Authority. The Direct Loan, FFEL, and other loan programs have permanent indefinite budget authority through legislation to fund subsequent increases to the estimated future costs of the loan programs. Parts B, Federal Family Education Loan Program, and D, Federal Direct Student Loan, of the HEA pertain to the existence, purpose, and availability of permanent indefinite budget authority for these programs.

Reauthorization of Legislation. Funds for most Department programs are authorized, by statute, to be appropriated for a specified number of years, with an automatic one-year extension available under Section 422 of the *General Education Provisions Act*. Congress may continue to appropriate funds after the expiration of the statutory authorization period, effectively reauthorizing the program through the appropriations process. The current President's Budget presumes all programs continue in accordance with congressional budgeting rules.

Outlays are the liquidation of obligations that often takes the form of an electronic funds transfer. Outlays are reported on the SBR net of offsetting collections and distributed offsetting receipts.

Offsetting collections and offsetting receipts are generally amounts collected from (1) business-like transactions with the public or (2) intragovernmental transfers. Offsetting collections usually may be used by the Department once received without further legislation whereas offsetting receipts must be appropriated to be used.

Offsetting receipts and offsetting collections both "offset" or reduce outlays. Offsetting collections reduce outlays at the expenditure account level, whereas offsetting receipts generally reduce outlays at the agency or Government-wide level. Offsetting receipts can be either "distributed" or "undistributed," with distributed offsetting receipts shown on the SBR reducing agency outlays and undistributed offsetting receipts reducing Government-wide outlays (and not shown on the SBR).

Budgetary transactions are included as outlays or receipts in the Budget and ultimately affect the budget deficit or surplus whereas non-budgetary amounts are a means of financing and do not affect the deficit or surplus. Non-budgetary amounts include the non-budgetary financing account amounts for loan and loan guarantee programs shown on the SBR. Financing accounts reflect program cash flows as distinct from credit "program" accounts, which are budgetary and reflect the subsidy cost of the programs.

Imputed Costs

Services are received from other federal entities at no cost or at a cost less than the full cost to the Department. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are recognized as imputed costs in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of services other than those related to employee benefits are not included in the Department's financial statements.

Retirement Plans and Other Retirement Benefits. Contributions for CSRS, FERS, and other retirement benefits are insufficient to fund the programs fully and are subsidized by the Office of Personnel Management (OPM). The Department imputes its share of the OPM subsidy, using cost factors provided by OPM, and reports the full cost of the programs related to its employees in the Department's Statement of Net Cost. These OPM imputed costs are offset by imputed financing sources from costs absorbed by others in the Department's Statement of Changes in Net Position.

Net Cost

As required by the *GPRA Modernization Act of 2010*, the Department's programs have been aligned with the goals presented in the Department's *Strategic Plan*.

Net cost consists of gross costs less earned revenue. Major components of the Department's net costs include credit program subsidy expense, credit program interest revenue and expense, and grant expenses. Administrative overhead costs are allocated to loan and non-credit programs based on number of applications processed, number of loans serviced, dollar amount of loan originations, cost of school compliance actions, and the cost to collect defaulted loans.

Credit Program Subsidy Expense. Subsidy expense is an estimate of the present value cost of providing loans, excluding the administrative costs of issuing and servicing the loans. To estimate subsidy expense, the Department must project lifetime cash flows associated with loans disbursed in a specific fiscal year (i.e., the loan cohort). The Department projects these lifetime cash flows using a set of econometric and financial models, as well as cash flow models. The Department estimates subsidy expenses annually for new loans disbursed in the current year; updates the previous cost estimates for outstanding loans disbursed in prior years (subsidy re-estimates); and updates previous cost estimates based on changes to terms of existing loans (loan modifications). Loan modifications include actions resulting from new legislation or from the exercise of administrative discretion under existing law, which directly or indirectly alters the estimated subsidy cost of outstanding direct loans (or direct loan obligations). The change in book value of direct loans resulting from a modification and the cost of modification will normally differ due to the use of different discount rates or the use of different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a modification adjustment transfer gain or a modification adjustment transfer loss.

Credit Program Interest Revenue and Expense. The Department recognizes other than intragovernmental interest revenue when interest is accrued on Direct Loan Program loans, defaulted and acquired FFEL loans, and outstanding principal for other loan programs. Interest due from borrowers is accrued at least monthly and is satisfied upon collection or capitalization into the loan principal. Federal interest revenue is recognized on the unused fund balances with Treasury in the financing accounts.

Federal interest expense is recognized monthly on the outstanding borrowing from Treasury (debt) used to finance direct loan and loan guarantee programs. Accrued interest to Treasury is paid on September 30. The interest rate for federal interest expense is the same as the rate used for federal interest revenue.

Interest expense equals interest revenue plus administrative fees accrued for all credit programs due to subsidy amortization. Subsidy amortization is required by the FCRA and accounts for the difference between interest expense and revenue cash flows. For direct loans, the allowance for subsidy is adjusted with the offset to interest revenue. For guaranteed loans, the liability for loan guarantees is adjusted with the offset to interest expense.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances, except for amounts in financing accounts, liquidating accounts, and trust funds. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

Allocation Transfers

Allocation transfers are an arrangement established by statute that allow an agency to delegate authority and financial operations to other Federal agencies. Treasury establishes a separate subsidiary account (allocation account) under the parent fund account to provide for the reporting of obligations and outlays incurred by the child entity. All financial activity related to this allocation transfer (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. The Department has established a child relationship with the Department of the Interior for transactions related to the Bureau of Indian Affairs, and receives allocation transfers, as the child, from the Department of Health and Human Services.

Use Of Estimates

Department management is required to make certain estimates while preparing consolidated financial statements in conformity with GAAP. These estimates are reflected in the net cost and net position of the financial statements and may differ from actual results. The Department's estimates are based on management's best knowledge of current events, best available data, economic assumptions, historical experiences, and other assumptions that are believed to be reasonable under the circumstances. Significant estimates reported on the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position include: allocation of Department administrative overhead costs; and subsidy expense for direct, defaulted guaranteed, and acquired loans. (See Notes 13 and 15)

Note 12. Property and Equipment

Changes in property and equipment balances were as follows:

Property and Equipment
(Dollars in Millions)

	2024 (Unaudited)		
	Acquisition Value	Accumulated Depreciation	Net
Balance Beginning of the Year	$ 164	$ (162)	$ 2
Balance at End of Year	**$ 164**	**$ (162)**	**$ 2**

Note 13. Credit Program Subsidy Expense and Reconciliations of Loans Receivable, Allowance for Subsidy, and Liabilities for Loan Guarantees

The net loans receivable increased by $8.1 billion during FY 2024 (as a result of activity identified in the following table).

Reconciliation of Loans Receivable, Net (Dollars in Millions)

	2024 (Unaudited)				
	Direct Loan Program	Defaulted FFEL Guaranteed Loans	Acquired FFEL Loans	Other Credit Programs for Higher Education	Total
Beginning Balance of Loans Receivable, Net	**$ 1,030,912**	**$ 11,843**	**$ 27,471**	**$ 2,766**	**$ 1,072,992**
Add Loan Disbursements:					
New Loan Disbursements	85,550	-	-	230	85,780
Consolidations	62,156	-	-	-	62,156
Add Defaulted Loan Claim Payments	-	2,986	-	-	2,986
Less Principal, Interest, and Fee Payments Received:					
Principal	(79,874)	(924)	(2,725)	(114)	(83,637)
Interest	(21,584)	(148)	(921)	(44)	(22,697)
Fees	(1,732)	1	4	-	(1,727)
Add Interest Accruals	62,771	2,603	1,686	112	67,172
Less Loans Written Off:					
Principal	(42,816)	(2,056)	(1,860)	(77)	(46,809)
Interest	(12,593)	(248)	(118)	(7)	(12,966)
Allowance for Subsidy	55,409	2,304	1,978	84	59,775
Add Amortization of Net Interest:					
Interest Revenue on Uninvested Funds	(5,436)	-	(182)	(25)	(5,643)
Interest Revenue from the Public	(62,771)	-	(1,686)	(112)	(64,569)
Interest Expense on Borrowing	31,196	-	963	41	32,200
Positive Subsidy Transfers	(42,586)	-	-	(48)	(42,634)
Negative Subsidy Transfers	885	-	-	-	885
Upward Subsidy Re-Estimate	(29,426)	-	(26)	(51)	(29,503)
Downward Subsidy Re-Estimate	12,537	-	979	71	13,587
Loan Modifications	(2,083)	-	(21)	(2)	(2,106)
Other:					
Other Adjustments to Allowance for Subsidy	733	34	480	(6)	1,241
Other Non-Cash Reconciling Items	47	(5,162)	(474)	180	(5,409)
Ending Balance of Loans Receivable, Net	**$ 1,041,295**	**$ 11,233**	**$ 25,548**	**$ 2,998**	**$ 1,081,074**

When Department-held loans are written off, the unpaid principal and interest are removed from the gross amount of loans receivable, along with an offsetting amount charged to the allowance for subsidy. Prior to the write off transaction, the estimated uncollectible amounts are provided for in the subsidy cost allowance through the subsidy cost estimate, re-estimates, or loan modifications. Therefore, the write off transactions do not affect the net loan receivable or expenses.

Other adjustments to allowance for subsidy for defaulted FFEL guaranteed loans shown in the table above includes the Department's allocation of current year subsidy re-estimates and modifications to the allowance for subsidy for Department-held defaulted FFEL guaranteed loans.

What follows is additional analysis for each of the loan programs.

Direct Loan Program

Direct Loan Program Reconciliation of Allowance for Subsidy

(Dollars in Millions)

	2024 (Unaudited)
Beginning Balance of Allowance for Subsidy	**$ 388,685**
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	41,701
Adjustments	
Loan Modifications	2,083
Fees Received	1,738
Loans Written Off	(55,409)
Subsidy Allowance Amortization	37,011
Other Activities	(733)
Ending Balance of Allowance for Subsidy Before Re-Estimates	**415,076**
Net Upward Subsidy Re-Estimates	16,889
Ending Balance of Allowance for Subsidy	**$ 431,965**

The estimation process used to determine the amount of positive or negative subsidy expense each fiscal year, and subsequently the cumulative taxpayer cost of the program (allowance for subsidy), is subject to various external risk factors that often show strong interdependence with one another. These risks include uncertainty about changes in the general economy, changes in the legislative and regulatory environment, and changing trends in borrower performance related to contractual cash flows within the loan programs.

Due to the complexity of the Direct Loan Program, there is inherent projection risk in the process used for estimating long-term program costs. As stated, some uncertainty stems from potential changes in student loan legislation and regulations because these changes may fundamentally alter the cost structure of the program. Operational and policy shifts may also affect program costs by causing significant changes in borrower repayment timing. Actual performance may deviate from estimated performance, which is not unexpected given the long-term nature of these loans (cash flows may be estimated up to 40 years), and the multitude of projection paths and possible outcomes. The high percentage of borrowers in IDR plans has made projection of borrower incomes a key input for the estimation process. This uncertainty is directly tied to the macroeconomic climate and is another inherent program element that displays the interrelated risks facing the Direct Loan Program. The Department utilizes the best data available with modeling techniques that have been examined over time by several outside entities. Management obtains confidence over the estimates by using several different tools to analyze cost estimates. Re-estimates on the loan portfolio are performed twice a year ensuring that the most up to date data and models are used.

Loans written off result from borrowers having died, becoming disabled, or having a loan approved for discharge in bankruptcy or other type of discharge, including borrower defense discharges. The interest rate re-estimate reflects the cost of finalizing the Treasury borrowing rate to be used for borrowings received to fund the disbursed portion of the loan awards obligated.

Direct Loan Program Subsidy Expense

(Dollars in Millions)

	2024 (Unaudited)
Subsidy Expense for Direct Loans Disbursed in the Current Year	
Interest Rate Differential	$ 54,166
Defaults, Net of Recoveries	2,449
Fees	(1,781)
Other	(13,133)
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	**41,701**
Modifications and Re-Estimates	
Loan Modifications	
Modification Adjustment Transfer Loss	336
Loan Modifications	1,747
Total Loan Modifications	**2,083**
Net Upward Subsidy Re-Estimates	
Interest Rate Re-estimates	2,598
Technical and Default Re-estimates	14,291
Total Net Upward/(Downward) Subsidy Re-estimates	**16,889**
Total Modifications and Re-estimates	18,972
Direct Loan Subsidy Expense	**$ 60,673**

Subsidy Expense for Direct Loans Disbursed in the Current Year. The two major components of the total subsidy expense for direct loans disbursed in the current year (subsidy transfers) are Interest Rate Differential and Other components. Interest Rate Differential is attributable to the difference between the borrowers' interest payments due to the Department and the Department's estimated cost to finance the direct loan on a present value basis. The Other components of subsidy transfers primarily consists of contract collection costs, program review collections, fees, and loan forgiveness.

Loan Modifications. Loan modifications for the Direct Loan Program for FY 2024 included the following:

- DMCS Contract Change. This modification reflects policy changes to make the future of involuntary collections more effective at collecting owed payments while taking steps to protect against pushing borrowers with defaulted loans into poverty. These changes will be reflected in the new contract to manage the Department's Debt Management and Collection System (DMCS), which is the system that houses the Department's portfolio of defaulted loans. These changes resulted in an upward modification cost of $1.8 billion for the Direct Loan Program. There was a net positive $0.3 billion modification adjustment transfer associated with this modification, bringing the total FY 2024 modification cost for the Direct Loan Program DMCS contract change to $2.1 billion.

Net Upward/Downward Subsidy Re-Estimates for All Prior-Year Loan Cohorts. The Direct Loan Program subsidy re-estimate increased subsidy expense in FY 2024 by $16.9 billion. Re-estimated costs only include cohorts that are 90 percent disbursed (i.e., cohort years 1994–2023). The re-estimate reflects the assumption updates and other changes described below.

In addition to the major assumption updates described below, the re-estimate reflects several other assumption updates, including loan volume, enter repayment rates, and Teacher Loan Forgiveness.

- Non-IDR Discharges. Non-IDR discharge costs increased as a result of a regular data update made by the Department to reflect discharges through FY 2023, including the limited PSLF waiver and the payment count adjustment. The increase in costs were partially offset by the removal of an adjustment for ITT Technical Institute closed school claims and an adjustment for Sweet borrower defense claims used in prior cycles because the amount of those adjustments was seen in actual discharge data after these claims were processed. The combined effect of these updates led to a net upward re-estimate of $6.0 billion.
- IDR Model Changes. The Department made IDR model changes that included standard event updates to use updated default, prepayments, and collection rates, along with an increase in Public Service Loan Forgiveness rates for cohorts 2010 and earlier. The Department updated the economic assumptions (interest rates, inflation, poverty guidelines) used in the IDR model and updated loan discharges based on actual loan data through FY 2023. Additionally, the Department made IDR model changes to calibrate income and impute the number of years a loan is in consolidation before entering IDR, which is used to calculate the waivers that give credit for those time periods for new data. The combined effect of these updates led to a net upward re-estimate of $12.8 billion.
- Deferment and Forbearance. Deferment and forbearance rates were updated based on actual payments made by students through FY 2023 using data from FSA. Economic assumptions were updated for unemployment rate and were used to forecast deferment and forbearance rates through 2035. Future year rates were forecasted using pre-pandemic rates. The effect of these changes let to a net upward re-estimate of $3.9 billion.
- Collections. The Department updated the collections assumption using historical data from the Debt Management and Collections System. The combined effect of these updates led to a net downward re-estimate of $1.3 billion.
- Default. The default assumption was updated to include updated unemployment rates and to reflect no new defaults through the end of FY 2025. The effect of these changes led to a net upward re-estimate of $0.3 billion.
- Student Loan Model (SLM) changes. The Department made updates to the SLM to adjust the simple interest calculation used in the model. This model change resulted in a downward re- estimate of $2 billion. The Department made a separate change to

the model to change the way loan maturity is determined in the model to account for the COVID payment pause forbearance. An increase to the expected payments will be forecasted in the SLM as a result of this change. This combined net effect of these updates led to a net downward re-estimate of $30.2 billion.

- 2023 Cohort Assumption Changes. The technical re-estimate cannot reflect the impacts of certain assumption changes applicable to the current year loan cohort until the following fiscal year per OMB guidance. The current year's re-estimate includes a net downward adjustment of $5.0 billion for these current-year assumption changes attributable to the FY 2023 cohort.
- Interest on the Re-Estimate. Interest on re-estimates is the amount of interest that would have been earned or paid by each cohort on the subsidy re-estimate if the re-estimated subsidy had been included as part of the original subsidy estimate. The interest on the re-estimate calculated on the overall subsidy re-estimate resulted in a net upward re-estimate of $7.4 billion.
- Interactive Effects. The re-estimate includes a net upward re-estimate of $7.8 billion attributed to the interactive effects of the assumption changes described above. Each assumption described above is run independently. The interactive effect is a result of combining all assumptions together to calculate the final re-estimate. This interactive effect is much larger than previous years due to combination of the change to the SLM code to incorporate dynamic maturity and the Deferment and Forbearance assumptions.
- Discount Rates. The rates are used to calculate the NPV of the cash flows to create subsidy rates. Adjustments to the 2022 and 2023 cohorts were calculated. All other cohorts are actual. The combined effect of these changes led to a net upward re-estimate of $12.6 billion.

Direct Loan Program Interest Expense and Revenues

(Dollars in Millions)

		2024 (Unaudited)
Interest Expense on Treasury Borrowing	$	31,196
Total Interest Expense	**$**	**31,196**
Interest Revenue From the Public		62,771
Interest Revenue on Uninvested Funds		5,436
Amortization of Subsidy		(37,011)
Total Revenues	**$**	**31,196**

Federal Family Education Loan Program

Reconciliation of Liabilities for Loan Guarantees

(Dollars in Millions)

	2024 (Unaudited)
Beginning Balance of Post-1991 FFEL Loan Guarantee Liability	**$ 11,084**
Adjustments	
Loan Modifications	1,289
Interest Supplements Paid	(1,960)
Claim Payments to Lenders	(2,986)
Fees Received	533
Interest on Accumulation on the Liability Balance	(129)
Other Activities	(2,363)
Net Upward Subsidy Re-Estimates	4,202
Ending Balance of Post-1991 FFEL Loan Guarantee Liability	**9,670**
Pre-1992 FFEL Liquidating Account Liability for Loan Guarantees	6
FFEL Liabilities for Loan Guarantees	**9,676**
HEAL Liabilities for Loan Guarantees	256
Total Liabilities for Loan Guarantees	**$ 9,932**

Other activity includes negative special allowance collections, collections on defaulted FFEL loans, guaranty agency expenses, and loan cancellations due to death, disability, or bankruptcy.

Allowance for Subsidy Reconciliation for Acquired FFEL Loans

(Dollars in Millions)

	2024 (Unaudited)			
	Loan Purchase Commitment	**Loan Participation Purchase**	**ABCP Conduit**	**Total**
Beginning Balance of Allowance for Subsidy	**$ 8,204**	**$ 9,879**	**$ 167**	**$ 18,250**
Adjustments				
Loan Modifications	8	13	-	21
Subsidy Allowance Amortization	460	413	32	905
Loans Written Off	(450)	(1,482)	(46)	(1,978)
Other Activities	(106)	(364)	(3)	(473)
Ending Balance of Allowance for Subsidy Before Re-estimates	**8,116**	**8,459**	**150**	**16,725**
Net Downward Subsidy Re-Estimates	(430)	(523)	-	(953)
Ending Balance of Allowance for Subsidy	**$ 7,686**	**$ 7,936**	**$ 150**	**$ 15,772**

FFEL Program Subsidy Expense

(Dollars in Millions)

	2024 (Unaudited)
Loan Modification Costs	
FFEL Guaranteed Loan Program	
Net Modification Adjustment Transfer (Gain)/Loss	$ (16)
Loan Modifications	1,305
Total FFEL Guaranteed Loan Program Loan Modifications	**1,289**
Loan Purchase Commitment	
Net Modification Adjustment Transfer (Gain)/Loss	1
Loan Modifications	7
Total Loan Purchase Commitment Loan Modifications	**8**
Loan Participation Purchase	
Net Modification Adjustment Transfer (Gain)/Loss	2
Loan Modifications	11
Total Loan Participation Purchase Loan Modifications	**13**
Total Loan Modification Costs	**1,310**
Upward/(Downward) Subsidy Re-Estimates	
FFEL Loan Guarantee Program	4,202
Loan Purchase Commitment	(430)
Loan Participation Purchase	(523)
Total FFEL Program Subsidy Re-Estimates	**3,249**
FFEL Program Subsidy Expense	**$ 4,559**

Loan Modifications. Loan modifications for the FFEL Loan Program for FY 2024 included the following:

- DMCS Contract Change. This modification reflects policy changes to make the future of involuntary collections more equitable and less punitive for defaulted federal student loan borrowers. These changes will be reflected in the new contract to manage DMCS, which is the system that houses the Department's portfolio of defaulted loans. These changes resulted in an $18.0 million upward modification cost for the FFEL Program and a positive $2.7 million modification adjustment transfer associated with this modification.

- VFA and DMCS Contract Change. This modification also reflects policy changes to make the future of involuntary collections more equitable and less punitive for defaulted federal student loan borrowers and will be reflected in the new contract to manage DMCS. This modification also reflects changes made to the Voluntary Flexible Agreements (VFA) between the Department and guaranty agencies. These agreements develop new processes, policies, and procedures and undertake certain efforts in connection with FFEL loans to help borrowers access benefits available to them through consolidation and ensure stability in the FFEL Program as the number of outstanding loans declines over time. These changes resulted in an upward modification cost of $1.3 billion for the FFEL Loan Guarantee Program and a negative $16.3 million modification adjustment transfer associated with this modification.

Net Upward/Downward Subsidy Re-Estimates. The total FFEL subsidy re-estimate increased subsidy expense in FY 2024 by $3.2 billion. The net upward re-estimates in the FFEL Program were due primarily to technical changes to the collections and defaults assumption models for the FFEL guaranteed program that resulted in a net upward re-estimate of $1.9 billion.

Other Credit Programs for Higher Education

TEACH Program.

Loan Modifications. Loan modifications for the TEACH Program for FY 2024 included the following:

- DMCS Contract Change. This modification reflects policy changes to make the future of involuntary collections more equitable and less punitive for defaulted federal student loan borrowers. These changes will be reflected in the new contract to manage DMCS, which is the system that houses the Department's portfolio of defaulted loans. These changes resulted in a $2.3 million upward modification cost for the TEACH Program.

Note 14. Roll-Forward of Debt Associated with Loans

(Dollars in Millions)

	2024 (Unaudited)				
	Beginning Balance	Borrowing	Repayments	Accrued Interest	Ending Balance
Debt to the Bureau of Public Debt					
Direct Loan Program	$ 1,127,011	$ 127,196	$ (155,584)	$ -	$ 1,098,623
FFEL Program	60,896	1,459	(6,282)	-	56,073
Other Credit Programs for Higher Education	678	54	(101)	-	631
Total Debt to the Bureau of Public Debt	**1,188,585**	**128,709**	**(161,967)**	**-**	**1,155,327**
Debt to the Federal Financing Bank					
Other Credit Programs for Higher Education	378	334	(159)	6	559
Total Debt Associated with Loans	**$ 1,188,963**	**$ 129,043**	**$ (162,126)**	**$ 6**	**$ 1,155,886**

Most of the $127.2 billion new Direct Loan Program borrowing activity for the year was designated for funding new loan disbursements. Principal repayments during FY 2024 for the Direct Loan Program totaled $155.6 billion.

During FY 2024, TEACH net borrowing was used for the advance of new grants and repayments of principal made to Treasury.

NOTE 15. Net Cost of Operations

As required by the *GPRA Modernization Act of 2010*, the Department's programs have been aligned with the goals presented in the Department's *Strategic Plan* as shown below. Goal 5 in the *Strategic Plan* is considered a crosscutting goal, and therefore costs and revenues associated with these activities are included in the net cost programs associated with Goals 1 through 4. Programs associated with COVID-19 activities are administered by multiple program offices but are summarized separately. (See Note 16)

Program Offices	Strategic Goal	Net Cost Program
	Net Cost Statement Program Alignment with Strategic Plan	
OESE OSERS Other: OCTAE IES OELA OCR	**Goal 1:** Promote equity in student access to educational resources, opportunities, and inclusive environments. **Goal 2:** Support a diverse and talented educator workforce and professional growth to strengthen student learning. **Goal 3:** Meet students' social, emotional, and academic needs.	Promote equity for prekindergarten through grade 12 students with access to educational resources, opportunities, and inclusive environments
FSA OSERS Other: OCTAE IES OPE OCR	**Goal 4:** Increase postsecondary value by focusing on equity-conscious strategies to address access to high-quality institutions, affordability, completion, post-enrollment success, and support for inclusive institutions.	Increase postsecondary value by focusing on equity strategies to address access to affordability, completion, and post-enrollment success
All Offices	**Goal 5:** Enhance the Department's internal capacity to optimize the delivery of its mission.	Crosscutting Goal

Gross Costs and Earned Revenue by Program

(Dollars in Millions)

	2024 (Unaudited)					
	FSA	OESE	OSERS	COVID-19	Other	Total
PROMOTE EQUITY FOR PREKINDERGARTEN THROUGH GRADE 12 STUDENTS WITH ACCESS TO EDUCATIONAL RESOURCES, OPPORTUNITIES, AND INCLUSIVE ENVIRONMENTS						
Gross Cost						
Grants	$ -	$ 26,927	$ 15,431	$ 55,044	$ 2,808	$ 100,210
Other	-	86	1	3	987	1,077
Earned Revenue	-	-	-	-	(102)	(102)
Net Program Costs	**-**	**27,013**	**15,432**	**55,047**	**3,693**	**101,185**
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETION, AND POST-ENROLLMENT SUCCESS						
Direct Loan Program						
Gross Cost						
Credit Program Interest Expense	31,196	-	-	-	-	31,196
Subsidy Expense	60,673	-	-	-	-	60,673
Administrative Expenses	1,683	-	-	-	-	1,683
Earned Revenue						
Interest & Administrative Fees	(68,207)	-	-	-	-	(68,207)
Subsidy Amortization	37,011	-	-	-	-	37,011
Net Cost (Surplus) of Direct Loan Program	**62,356**	**-**	**-**	**-**	**-**	**62,356**
FFEL Program						
Gross Cost						
Credit Program Interest Expense	2,500	-	-	-	-	2,500
Subsidy Expense	4,577	-	-	-	-	4,577
Subsidy Amortization (Guaranteed Loans)	(129)	-	-	-	-	(129)
Guaranty Agencies	(136)	-	-	-	-	(136)
Administrative Expenses	237	-	-	-	-	237
Earned Revenue						
Subsidy Expense	(18)	-	-	-	-	(18)
Interest & Administrative Fees	(3,276)	-	-	-	-	(3,276)
Subsidy Amortization (Acquired FFEL Loans)	905	-	-	-	-	905
Guaranty Agencies	62	-	-	-	-	62
Net Cost of FFEL Program	**4,722**	**-**	**-**	**-**	**-**	**4,722**
Other Credit Programs for Higher Education						
Gross Cost						
Credit Program Interest Expense	17	-	-	-	24	41
Subsidy Expense	32	-	-	-	(1)	31
Administrative Expenses	(1)	-	-	-	(1)	(2)
Earned Revenue						
Interest & Administrative Fees	(101)	-	-	-	(36)	(137)
Subsidy Amortization	22	-	-	-	12	34
Other	(502)	-	-	-	(1)	(503)
Net Cost (Surplus) of Other Credit Programs for Higher Education	**(533)**	**-**	**-**	**-**	**(3)**	**(536)**
Non-Credit Programs						
Gross Cost						
Grants	39,424	8	4,181	1,190	5,334	50,137
Other	221	-	16	12	322	571
Earned Revenue	(1)	-	-	-	(10)	(11)
Net Cost of Non-Credit Programs	**39,644**	**8**	**4,197**	**1,202**	**5,646**	**50,697**
Net Program Costs (Surplus)	**106,189**	**8**	**4,197**	**1,202**	**5,643**	**117,239**
Total Program Gross Costs	**140,294**	**27,021**	**19,629**	**56,249**	**9,473**	**252,666**
Total Program Earned Revenue	**(34,105)**	**-**	**-**	**-**	**(137)**	**(34,242)**
Net Cost	**$ 106,189**	**$ 27,021**	**$ 19,629**	**$ 56,249**	**$ 9,336**	**$ 218,424**

Credit Program Interest Expense and Revenues

(Dollars in Millions)

	2024 (Unaudited)						
	Gross Interest Expense	Subsidy Amortization	Net Interest Expense	Gross Interest and Administrative Fee Revenue		Subsidy Amortization	Net Revenue
	Intragovernmental	Other than Intragovern-mental		Intragovernmental	Other than Intragovern-mental	Other than Intragovern-mental	
Direct Loan Program	$ 31,196	$ -	$ 31,196	$ 5,436	$ 62,771	$ (37,011)	$ 31,196
FFEL Program	2,500	(129)	2,371	1,590	1,686	(905)	2,371
Other Credit Programs for Higher Education	41	-	41	25	112	(34)	103
Total	**$ 33,737**	**$ (129)**	**$ 33,608**	**$ 7,051**	**$ 64,569**	**$ (37,950)**	**$ 33,670**

Interest expense equals interest revenue plus administrative fees accrued for all credit programs due to subsidy amortization. Subsidy amortization is required by the FCRA and accounts for the difference between interest expense and revenue cash flows. For direct loans, the allowance for subsidy is adjusted with the offset to interest revenue. For guaranteed loans, the liability for loan guarantees is adjusted with the offset to interest expense.

The COVID-19 relief actions that temporarily suspended nearly all required federal student loan payments and set borrower interest rates to zero percent ended August 31, 2023 (see Note 16). As a result, new interest revenues were recognized during FY 2024 and are included in the current year's other than intragovernmental interest in the schedule above.

Grant Expenses by Appropriation

(Dollars in Millions)

		2024 (Unaudited)
PROMOTE EQUITY FOR PREKINDERGARTEN THROUGH GRADE 12 STUDENTS WITH ACCESS TO EDUCATIONAL RESOURCES, OPPORTUNITIES, AND INCLUSIVE ENVIRONMENTS		
COVID-19	$	55,044
Education for the Disadvantaged		18,816
Special Education - IDEA Grants		15,431
School Improvement Programs		5,492
Impact Aid		1,890
Innovation and Improvement		1,205
English Language Acquisition		911
Career, Technical, and Adult Education		490
Hurricane Education Recovery		53
Institute of Education Sciences		212
Other		666
Subtotal		**100,210**
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETION, AND POST-ENROLLMENT SUCCESS		
COVID-19	$	1,190
Student Financial Assistance		
Pell Grants		37,059
Federal Work-Study Program		1,434
Federal Supplemental Educational Opportunity Grants		931
Rehabilitation Services		3,761
Higher Education		3,332
Career, Technical, and Adult Education		1,680
Special Education – IDEA Grants		133
Hurricane Education Recovery		8
Institute of Education Sciences		48
Other		561
Subtotal		**50,137**
Total Grant Costs	**$**	**150,347**

The Department has more than 100 grant programs. Descriptions of COVID-19 grant programs are provided in Note 16. Descriptions of non-COVID-19 major grant program areas are as follows:

Student Financial Assistance

- **Pell Grant**—Provides need-based grants to students to promote access to postsecondary education. Grant amounts are dependent on the student's expected family contribution, the cost of attendance (as determined by the institution), the student's enrollment status (full-time or part-time), and whether the student attends for a full academic year or less. Pell Grants are the single largest source of grant aid for postsecondary education.

- **Federal Work-Study Program**—Provides funds by formula to enable eligible institutions to offer employment to students based on financial needs. The program is available to full-time or part-time students and encourages community service work. The work is often related to the student's course of study. Hourly earnings under this program must be at least the federal minimum wage. Federal funding, in most cases, pays 75 percent of a student's hourly wage, with the remaining 25 percent paid by the employer.

- **Federal Supplemental Educational Opportunity Grant**—Provides funds by formula to enable eligible institutions to offer grants to students based on need. Federal grants distributed under this program are administered directly by the financial aid office at each participating school.

Education for the Disadvantaged—Primarily consists of Title I, Part A grants which provide financial assistance through SEAs to LEAs and public schools with high numbers or percentages of poor children to help ensure that all children meet challenging state academic content and student academic achievement standards. Also provides funds to states to support educational services to children of migratory farmworkers and fishers, and to neglected or delinquent children and youth in state-run institutions, attending community day programs, and correctional facilities.

Special Education—Consists primarily of IDEA grants that provide funds by formula to states to assist them in providing a free appropriate public education in the least restrictive environment for children with disabilities ages 3 through 21 and assists states in providing early intervention services for infants and toddlers birth through age 2 and their families. Also provides discretionary grants to IHEs and other nonprofit organizations to support research, demonstrations, technical assistance and dissemination, technology, personnel development and parent-training, and information centers.

School Improvement Programs—Provides funds to SEAs to make competitive subgrants to LEAs that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources to substantially raise the achievement of students in their lowest-performing schools.

Rehabilitation Services—Provides funds to states and other agencies to support vocational rehabilitation and other services to individuals with disabilities to maximize their employment, independence, and integration into the community and the competitive labor market.

Higher Education—Includes Institutional Service grants designed to improve academic quality, institutional management and fiscal stability, and strengthen physical plants and endowments of IHEs, with an emphasis on institutions that enroll large proportions of minority and financially disadvantaged students. Also includes Student Service grant programs supporting low-income, first-generation students and individuals with disabilities as they progress through the academic pipeline from middle school to graduate school, in addition to programs focused on college readiness, campus-based childcare, and graduate fellowships. Also includes International and Foreign Language Education grant and fellowship programs that strengthen foreign language instruction, area/international studies teaching and research, professional development for educators, and curriculum development at the K–12, graduate, and postsecondary levels.

Career, Technical, and Adult Education—Includes programs that are related to adult education and literacy, career and technical education, community colleges, and correctional education.

Impact Aid—Provides funds to LEAs to replace the lost local revenue that would otherwise be available to educate children of federal workers that live on government property, which is exempt from local property taxes that finance education.

Innovation and Improvement—Includes support for nontraditional programs that improve student achievement and attainment; supports the development of educational television and digital media programs targeted at preschool and early elementary school children and their families to promote early learning and school readiness, with a particular interest in reaching low-income children; and supports LEAs and their partners in implementing, evaluating, and refining tools and approaches for developing the noncognitive skills of middle school students to increase student success.

English Language Acquisition—Provides funds primarily by formula to states to improve services for English learners. Also provides discretionary funds to support national activities, including professional development to increase the supply of high-quality teachers of English learners and a national clearinghouse on English language acquisition.

Hurricane Education Recovery—Provides one-time emergency-relief grants, funded by supplemental appropriations acts enacted in response to specific events, to support schools and students directly affected by natural disasters. Assists students displaced or disrupted by such disasters as well as eligible agencies and institutions that require funding to cover unexpected expenses and return to normal operations.

Institute of Education Sciences—Provides funding to support research and development activities that provide parents, teachers, and schools with evidence-based information on effective educational practices, and research to build the evidence base on improving special education and early intervention services and outcomes for infants, toddlers, and children with disabilities.

Note 16. COVID-19 Activity

Congress passed multiple COVID-19 relief bills in FY 2020 and FY 2021, including the following that provided the Department with a total of $282.5 billion of direct appropriation funding for educational purposes:

- *Coronavirus Aid, Relief, and Economic Security Act* of 2020 (CARES Act) $31.0 billion.
- *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (CRRSAA) $82.0 billion.
- *American Rescue Plan Act of 2021* (ARP) $169.5 billion.

These appropriations funded a variety of programs administered primarily through grant programs as described starting on page 132. The largest component of the education funding provided by the COVID-19 relief appropriations established the Education Stabilization Fund which included the (1) Elementary and Secondary School Emergency Relief Fund, (2) Higher Education Emergency Relief Fund, (3) Governor's Emergency Education Relief Fund, and (4) funds for outlying areas. The Education Stabilization Fund is being distributed to recipients through various grant programs.

The COVID-19 relief legislation and administrative actions also provided support during FYs 2020 through 2023 for student loan borrowers by suspending nearly all federal student loan payments through August 31, 2023, interest free. Additionally, support for student loan borrowers was provided in FYs 2020 through 2023 by the following COVID-19 relief legislation and administrative actions.

- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals. This reimbursement covers the share of what a guaranty agency might have reasonably collected during the pandemic, but for the suspension.
- Making temporary changes to the PSLF program through a Limited PSLF Waiver to allow student borrowers to get credit for payments made while working for a qualifying employer, regardless of loan type or repayment plan.
- Addressing issues with IDR payment counting by allowing any borrower who made IDR-qualifying payments to count toward IDR, regardless of repayment plan.

Funding for each of these actions was provided through indefinite appropriations, and the cost impacts were recorded as loan modifications.

In addition, other COVID-19 relief provided during FYs 2020 through 2023 to student loan borrowers included the following:

- The Department stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default.
- The Department provided relief for certain borrowers who received student loan discharges due to total and permanent disability. Unless it is through a process with the VA, borrowers receiving this discharge are, by regulation, subject to a three-year monitoring period during which they must provide the Department with information about their earnings from employment. Per regulation, borrowers whose earnings exceed certain thresholds and borrowers who do not meet certain other criteria will have their loans reinstated. The Department provided relief to ensure no borrowers are at risk of having their loans reinstated, meaning they would have to repay their debt—for failure to provide earnings information during the COVID-19 emergency. This change was made retroactive to March 13, 2020, the start of the COVID-19 national emergency.
- The Department requested a waiver from the Small Business Administration to immediately help nearly 30,000 small business owners in the Paycheck Protection program who faced difficulties because they were delinquent or in default on a federal student loan.

The following tables provide more detail on the Department's funded COVID-19 activity for FY 2024. Unobligated CARES Act balances as of the end of FY 2023 totaling $515 million were carried forward to FY 2024 and are reported in the FY 2024 COVID-19 schedule as Unobligated Balance from Prior Year Budget Authority (Net) together with $76 million of downward adjustments recorded in FY 2024 to prior years' CARES Act obligations. Obligated and unobligated COVID-19 funds remaining to be disbursed as of the end of FY 2024 totaled $19.5 billion. (See Notes 3 and 17)

COVID-19 Activity

(Dollars in Millions)

2024 (Unaudited)							
	Unobligated Balance from Prior Year Budget Authority (Net)	Appropriations	Appropriations Transferred	New Obligations and Upward Adjustments of Prior Year Obligations	Unobligated	Outlays	Net Costs (See Note 15)
COVID-19 Direct Appropriations							
Education Stabilization Fund							
Elementary and Secondary School Emergency Relief Fund							
Allocations to States	$ 1	$ -	$ -	$ -	$ 1	$ 52,217	$ 52,273
Assistance for Homeless Children and Youth	1	-	-	-	1	293	293
Higher Education Emergency Relief Fund							
Higher Education Funds to Students	105	-	-	-	105	36	35
Higher Education Funds to Institutions	59	-	-	-	59	526	585
Proprietary Institutions Grant Funds for Students	238	-	-	-	238	2	2
Schools Serving Low-Income Students, HBCUs, and Minority Serving Institutions (MSIs)							
MSIs	28	-	-	-	28	66	65
HBCUs	1	-	-	-	1	238	234
Tribally Controlled Colleges and Universities (TCCUs)	1	-	-	-	1	26	26
Strengthening Institutions Program	55	-	-	-	55	13	13
Fund for the Improvement of Postsecondary Education	116	-	-	-	116	-	-
Supplemental Assistance and Support	(113)	-	-	-	(113)	54	52
Governor's Emergency Education Relief Fund							
Emergency Education Relief Grants	-	-	-	-	-	265	263
Emergency Assistance to Non-Public Schools Program	-	-	-	-	-	1,441	1,287
Outlying Areas	-	-	-	-	-	263	263
Discretionary Grants	5	-	-	-	5	77	76
Total Education Stabilization Fund	**497**	**-**	**-**	**-**	**497**	**55,517**	**55,467**
Individuals with Disabilities Education Act Grants	-	-	-	-	-	695	692
School Improvement Programs	6	-	-	-	6	53	53
American Indian Resilience in Education	-	-	-	-	-	5	5
National Technical Institute for the Deaf	-	-	-	-	-	8	8
HBCU Loan Deferment	30	-	-	-	30	-	-
Student Aid Administration	4	-	-	-	4	10	10
Program Administration	4	-	-	-	4	1	1
Inspector General	4	-	-	3	1	3	3
Institute of Education Sciences	46	-	-	-	46	11	10
Total COVID-19 Activity	**$ 591**	**$ -**	**$ -**	**$ 3**	**$ 588**	**$ 56,303**	**$ 56,249**

Elementary and Secondary School Emergency Relief (ESSER) Fund—Supports continued learning for K–12 students whose education has been disrupted by COVID-19.

- **Allocations to States**—Provides grants to states based on the same proportion that each state receives under the *Elementary and Secondary Education Act* (ESEA) Title 1-A. States must distribute at least 90 percent of funds to LEAs based on their proportional share of ESEA Title I-A funds. States have the option to reserve

10 percent of the allocation for emergency needs as determined by the state to address issues responding to the COVID-19 pandemic.

- **Assistance for Homeless Children and Youth**—Provides grants to support the specific needs of homeless children and youth with wraparound services to address the challenges of COVID-19, and to enable homeless children and youth to attend school and fully participate in school activities.

Higher Education Emergency Relief Fund (HEERF)—Provides grants for IHEs to address needs directly related to COVID-19, including transitioning courses to distance education and granting aid to students for educational costs such as food, housing, course materials, health care, and childcare. The fund is distributed through the following grant programs.

- **Higher Education Funds to Students**—Provides grants to IHEs to give emergency financial aid grants to students whose lives have been disrupted, many of whom are facing financial challenges and struggling to make ends meet. Institutions have the responsibility of determining how grants will be distributed to students, how the amount of each student grant is calculated, and the development of any instructions or directions that are provided to students about the grant.

- **Higher Education Funds to Institutions**—Provides grants to IHEs which can use up to one-half of the total funds to cover any costs associated with significant changes to the delivery of instruction due to COVID-19. Institutions are encouraged to use the funds to expand remote learning programs, build IT capacity to support such programs, and train faculty and staff to operate effectively in a remote learning environment. They are also encouraged to use the funds to expand support for students with the most significant financial needs arising from the COVID-19 pandemic, including eligible expenses under a student's cost of attendance, such as course materials, technology, health care, childcare, food, and housing.

- **Proprietary Institutions Grant Funds for Students**—Provides grants to proprietary IHEs to give emergency financial aid grants to students, which may be used for any component of the student's cost of attendance or for emergency costs that arise due to COVID-19, such as tuition, food, housing, health care (including mental health care) or childcare.

- **Minority Serving Institutions (MSIs)**—Provides grants to MSIs to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll. MSIs include institutions that are eligible to participate in the following programs: Predominantly Black Institutions, Alaska Native and Native Hawaiian-Serving Institutions, Asian American and Native American Pacific Islander-Serving Institutions, Native American-Serving Nontribal Institutions, Developing Hispanic-Serving Institutions, and Promoting Postbaccalaureate Opportunities for Hispanic Americans. MSIs are encouraged to use as much of these funds as possible to provide students eligible for financial aid with grants for any component of the student's cost of attendance, including tuition, course materials, and technology.

- **Historically Black Colleges and Universities (HBCUs)**—Provides grants to HBCUs to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll. HBCUs are also encouraged to use as much of these funds as possible to provide students eligible for financial aid with grants for any component of the student's cost of attendance, including tuition, course materials, and technology.

- **Tribally Controlled Colleges and Universities (TCCUs)**—Provides grants to TCCUs to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll. TCCUs are also encouraged to use as much of these funds as possible to provide students eligible for financial aid with grants for any component of the student's cost of attendance, including tuition, course materials, and technology.

- **Strengthening Institutions Program**—Provides grants to institutions that are not participating in the MSI programs but have at least 50 percent of their degree students receiving need-based assistance under Title IV of the *Higher Education Act* or have a substantial number of enrolled students receiving Pell Grants and have low educational and general expenditures. These funds can be used to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll. These institutions are encouraged to use as much of these funds as possible to provide students eligible for financial aid with grants for any component of the student's cost of attendance, including tuition, course materials, and technology.

- **Fund for the Improvement of Postsecondary Education (FIPSE)**—Provides grants that support projects to encourage innovative reform and expand education opportunities to underrepresented groups. Institutions can use these additional FIPSE funds to defray institutional expenses, which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with the transition to distance education, faculty and staff training, and payroll. Institutions are also encouraged to use as much of these funds as possible to provide students eligible for financial aid with grants for any component of the student's cost of attendance, including tuition, course materials, and technology.

- **Supplemental Assistance and Support**—Provides discretionary grants to institutions of higher education with unmet needs related to recovery from disruptions in the finances, day-to-day operations, instruction, and student support due to COVID-19.

Governor's Emergency Education Relief (GEER) Fund—Provides grants to state governors to ensure education continues for students of all ages impacted by the COVID-19 national emergency. The GEER Fund is a flexible emergency block grant designed to enable governors to decide how best to meet the needs of students, schools (including charter schools and non-public schools), postsecondary institutions, and other education-related organizations.

- **Emergency Education Relief Grants**—Provide grants to state governors for the purpose of providing LEAs, IHEs, and other education-related entities with emergency assistance as a result of COVID-19.

- **Emergency Assistance to Non-Public Schools Program**—Provides grants to state governors to provide services or assistance to eligible non-public schools to address COVID-19 impacts.

Outlying Areas, Bureau of Indian Education, and Discretionary Grants—Provides funding for outlying areas and states with the highest COVID-19 burdens. These funds are distributed through the following grant programs.

- **Outlying Areas**—Provides grants for the outlying areas of the United States, specifically: the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa. Money made available from these grants will be used in response to COVID-19 and was calculated via formula. Each outlying area received two block grants from the Education Stabilization Fund—one to the governor's office and one to the SEA.

- **Bureau of Indian Education**—Provides funding for programs operated by the Bureau of Indian Education (BIE), in consultation with the Secretary of Interior. The Department transferred these funds to BIE.

- **Discretionary Grants**—Provides grants to states to create adaptable, innovative learning opportunities for K–12 and postsecondary learners in response to the COVID-19 national emergency.

In addition to the Education Stabilization Fund, COVID-19 appropriations also included funding for the following.

***Individuals with Disabilities Education Act* Grants**—Provides grants to states to help them recover from the impact of COVID-19 and to safely reopen schools and sustain safe operations. These grants assist states in providing a free, appropriate public education in the least restrictive environment for children with disabilities ages 3 through 21 and assists states in providing early intervention services for infants and toddlers birth through age 2 and their families.

School Improvement Programs—Provides additional funds to SEAs to make competitive subgrants to LEAs that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources to substantially raise the achievement of students in their lowest-performing schools.

American Indian Resilience in Education—Provides grants to Tribal education agencies for activities authorized under Section 6121(c) of the *Elementary and Secondary Education Act of 1965*. Those activities include a broad range of direct services to Indian children and youth, their teachers, and families.

Gallaudet University—Provides funding to help address challenges associated with COVID-19.

Howard University—Provides funding to help address challenges associated with COVID-19.

HBCU Loan Deferment—Provides funding for the deferment of loan repayments for HBCUs that were provided low-cost capital financing for campus maintenance and construction projects. During the period of the deferment, the Department was required to pay the required principal and interest due. At the end of the deferment, the HBCU is required to repay the Department for payments made on its behalf.

Student Aid Administration—Provides funding for the additional costs of administering the COVID-19 provisions affecting student financial aid programs.

Program Administration—Provides funding to the Department to fund costs of administrating the COVID-19 appropriations.

Inspector General—Provides funding for salaries and expenses necessary for Office of Inspector General oversight and audit of COVID-19 programs, grants, and projects.

Institute of Education Sciences—Provides funding for research to address learning loss caused by COVID-19 and to disseminate findings to SEAs, LEAs, and others, and for carrying out the *National Assessment of Educational Progress Authorization Act*.

Note 17. Statement of Budgetary Resources

The SBR compares budgetary resources with the status of those resources. As of September 30, 2024, budgetary resources were $513.6 billion, and net agency outlays were $267.9 billion.

Net Adjustments to Unobligated Balances Brought Forward, October 1

(Dollars in Millions)

	2024 (Unaudited)	
	Budgetary	Nonbudgetary Credit Reform Financing Accounts
Prior Year Unobligated Balance, End of Year (Total)	**$ 18,906**	**$ 54,426**
Recoveries of Prior Year Unpaid Obligations	4,013	7,405
Borrowing Authority Withdrawn	-	(4,783)
Actual Repayments of Debt, Prior-Year Balances	-	(26,605)
Actual Capital Transfers to the Treasury General Fund	(97)	-
Canceled Authority	(669)	-
Downward Adjustments of Prior-Year Paid Delivered Orders	252	216
Other Differences	5	-
Unobligated Balance from Prior Year Budget Authority (Net)	**$ 22,410**	**$ 30,659**

During the year ended September 30, 2024, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023. These adjustments included, among other things, recoveries of prior year unpaid obligations that resulted from downward adjustments of undelivered orders that were obligated in a prior fiscal year.

Unused Borrowing Authority

(Dollars in Millions)

	2024 (Unaudited)
Beginning Balance - Unused Borrowing Authority	**$ 47,094**
Current Year Borrowing Authority	136,204
Funds Drawn from Treasury	(129,043)
Borrowing Authority Withdrawn	(4,783)
Ending Balance – Unused Borrowing Authority	**$ 49,472**

The Department is given authority to draw funds from Treasury to finance the Direct Loan, FFEL, and other loan programs. Unused borrowing authority is a budgetary resource and is available to support obligations for these programs. The Department periodically reviews its borrowing authority balances in relation to its obligations, resulting in the withdrawal of unused amounts.

Undelivered Orders at the End of the Period

(Dollars in Millions)

	2024 (Unaudited)	
	Intragovernmental	With the Public
Unpaid	$ 134	$ 177,387
Paid	207	741
Undelivered Orders	**$ 341**	**$ 178,128**

Undelivered orders represent the amount of goods and/or services ordered that have not been actually or constructively received. Paid amounts include any orders that may have been prepaid or advanced but for which delivery or performance has not yet occurred.

Distributed Offsetting Receipts

(Dollars in Millions)

	2024 (Unaudited)
Negative Subsidies and Downward Re-estimates of Subsidies:	
Direct Loan Program	$ 2,571
FFEL Program	2,339
HEAL Program	13
TEACH Program	15
Facilities Loan Programs	42
Total Negative Subsidies and Downward Re-estimates of Subsidies	**4,980**
Repayment of Perkins Loans and Capital Contributions	520
Other	(274)
Distributed Offsetting Receipts	**$ 5,226**

Distributed offsetting receipts are amounts that the Department collects that are used to offset or reduce the Department's budget outlays. The Department's outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts.

Most of the distributed offsetting receipts line item on the SBR represents amounts paid from the Direct Loan Program and FFEL Program financing accounts to Treasury General Fund receipt accounts for downward current fiscal year executed subsidy re-estimates, downward modifications, and negative subsidies.

Reconciliation of the SBR to the Budget of the United States

(Dollars in Millions) (Unaudited)

	Budgetary Resources	New Obligations and Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statements of Budgetary Resources	**$ 850,185**	**$ 776,853**	**$ 347,613**	**$ (41,109)**
Expired Funds	(7,169)	(2,247)	-	-
Distributed Offsetting Receipts	-	-	-	347,613
Other	(6)	-	1	4
***Budget of the United States Government*[1]**	**$ 843,010**	**$ 774,606**	**$ 347,614**	**$ 306,508**

[1] Amounts obtained from the Appendix, Budget of the United States Government, FY 2025

The FY 2026 President's Budget, which presents the actual amounts for the year ending September 30, 2024, has not been published as of the issue date of these financial statements. The FY 2026 President's Budget is scheduled for release in February 2025 and will be made available on OMB's website. The table above reconciles the FY 2023 SBR to the FY 2025 President's Budget (FY 2023 actual amounts) for budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays.

Reconciling differences exist because the President's Budget excludes expired funds. Additionally, the President's Budget includes a public enterprise fund that reflects the gross obligations by the FFEL Program for the estimated activity of the consolidated federal fund of the guaranty agencies. Ownership by the federal government is independent of the actual control of the assets. Since the actual operation of the federal fund is independent from the Department's direct control, budgetary resources and new obligations and upward adjustments are estimated and disclosed in the President's Budget to approximate the gross activities of the combined federal fund. Amounts reported on the SBR for the federal fund are compiled by combining all guaranty agencies' annual reports to determine a net valuation amount for the federal fund.

Budgetary Status of Fund Balance with Treasury

(Dollars in Millions)

	2024 (Unaudited)		
	COVID-19 Funds	All Other Funds	Total
Unobligated Balance			
Available	$ 482	$ 5,539	$ 6,021
Unavailable	106	55,749	55,855
Obligated Balance, Not Disbursed	18,960	172,250	191,210
Appropriated Authority Not Yet Converted to Fund Balance with Treasury	-	(4,135)	(4,135)
Borrowing Authority Not Yet Converted to Fund Balance with Treasury	-	(49,472)	(49,472)
Other	-	173	173
Total Fund Balance with Treasury	**$ 19,548**	**$ 180,104**	**$ 199,652**

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations no longer available to incur new obligations. Total unavailable unobligated balance ($55.9 billion) differs from unapportioned and expired amounts on the SBR ($56.5 billion) due to the Guaranty Agencies' Federal Funds ($0.6 billion).

Note 18. Reconciliation of Net Cost to Net Outlays

(Dollars in Millions)

	2024 (Unaudited)		
	Intragovernmental	Other than Intragovernmental	Total
Net Cost	**$ 27,475**	**$ 190,949**	**$ 218,424**
Components of Net Cost Not Part of Budgetary Outlays:			
Year-End Credit Reform Subsidy Accrual Re-Estimates	-	(12,401)	(12,401)
Loan Modification Adjustment Transfers	-	(322)	(322)
Increase/(Decrease) in Assets:			
Loans Receivables, Net (Non-FCRA)	-	(38)	(38)
Other Assets	60	10	70
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	114	114
Loan Guarantee Liabilities (Non-FRCA)	-	(147)	(147)
Other Liabilities	(511)	(3,351)	(3,862)
Financing Sources:			
Imputed Costs	(84)	-	(84)
Total Components of Net Cost Not Part of Budgetary Outlays	**(535)**	**(16,135)**	**(16,670)**
Components of Budget Outlays Not Part of Net Cost:			
Effect of Prior-Year Credit Reform Subsidy Re-estimates	-	66,061	66,061
Total Components of Budget Outlays Not Part of Net Cost	**-**	**66,061**	**66,061**
Miscellaneous Items:			
Non-Entity Activity	125	-	125
Non-Exchange Revenues	(8)	-	(8)
Other	-	(12)	(12)
Total Miscellaneous Items	**117**	**(12)**	**105**
Budgetary Agency Outlays, Net			**$ 267,920**

This reconciliation explains the relationship between the Department's net cost and its net outlays. Reconciling items result from transactions that did not result in a current period outlay but did result in a current period cost, and current period outlays that did not result in a current period cost.

Disbursements for new FCRA loans and collections of principal and interest on existing FCRA loans are recorded in nonbudgetary credit reform financing accounts. These disbursements and collections are reported on the SBR as disbursements, net, and not as agency outlays, net. Since these disbursements and collections affect neither net cost of operations nor agency outlays, net, they are excluded from this reconciliation as are any increases or decreases in the FCRA loan receivable balances.

The two major reconciling differences, both associated with the Department's FCRA loan programs, are for Year-End Credit Reform Subsidy Accrual Re-Estimates (current-year subsidy accrual costs) and Effect of Prior-Year Credit Reform Subsidy Re-Estimates (current-year budget subsidy costs).

- Current-year subsidy accrual costs are the portion of the current-year loan subsidy re-estimates not impacting the current year outlays.
- Current-year budget subsidy costs are current year indirect appropriations provided to fund subsidy costs accrued in the prior year. This includes the portion of the current year's executed President's Budget re-estimates not included in this year's net cost subsidy expense.

NOTE 19. Reclassification of Statement of Net Cost and Statement of Operations and Changes in Net Position for Financial Report Compilation Process

To prepare the Financial Report (FR) of the U.S. government, Treasury requires agencies to submit an adjusted trial balance, which is a listing of accounts that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Operations and Changes in Net Position for each agency, all of which show how agency amounts are related to particular FR statement line items. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements.

The two schedules in this note show the Department's financial statements and the Department's reclassified statements before elimination of intragovernmental balances and before aggregation of repeated FR line items. The term "Non-Federal" is used in this note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, nonprofit entities, and state, local, and foreign governments.

A copy of the September 30, 2024 FR will be posted to Treasury's website as soon as it is released.

Reclassification of Statement of Net Cost to Line Items Used for the Governmentwide Statement of Net Cost for the Year Ended September 30, 2024

(Dollars in Millions)

FY 2024 Department Statement of Net Cost (Unaudited)		Line Items Used to Prepare FY 2024 Governmentwide Statement of Net Cost	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Total Gross Cost	$ 252,666	$ 218,085	Non-Federal Gross Cost
		171	Benefit Program Costs
		84	Imputed Costs
		568	Buy/Sell Cost
		33,737	Borrowing and Other Interest Expense
		21	Other Expenses (Without Reciprocals)
Total Gross Cost	**$ 252,666**	**$ 252,666**	**Department Total Gross Cost**
Total Earned Revenue	$ (34,242)	$ (27,136)	Non-Federal Earned Revenue
		(55)	Buy/Sell Revenue (Exchange)
		(7,051)	Borrowing and Other Interest Revenue (Exchange)
Total Earned Revenue	**(34,242)**	**(34,242)**	**Department Total Earned Revenue**
Net Cost	**$ 218,424**	**$ 218,424**	**Net Cost**

Reclassification of Statement of Net Cost to Line Items Used for the Governmentwide Statement of Net Cost for the Year Ended September 30, 2024
(Dollars in Millions)

FY 2024 Department Statement of Changes in Net Position (Unaudited)		Line Items Used to Prepare FY 2024 Governmentwide Statement of Operations and Changes in Net Position	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Unexpended Appropriations			
Beginning Balance	$ 171,562	$ 171,562	Net Position, Beginning of Period
Appropriations Received	218,866	217,631	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Other Adjustments (Rescissions, etc.)	(1,235)		
Appropriations Transferred	4	4	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
Appropriations Used	(277,670)	(277,670)	Appropriations Used
Unexpended Appropriations, Ending Balance	**111,527**	**111,527**	
Cumulative Results of Operations			
Beginning Balance	(67,196)	(67,196)	Net Position, Beginning of Period
Appropriations Used	277,670	277,670	Appropriations Expended
Nonexchange Revenue	8	8	Collections transferred into a TAS Other Than the General Fund of the U.S. Government – Nonexchange
Imputed Financing from Costs Absorbed by Others	84	84	Imputed Financing Sources
Negative Subsidy Transfers, Downward Subsidy Reestimates, and Other	(19,175)	(5,700)	Non-Entity Collections Transferred to the General Fund of the U.S. Government
		(13,295)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
		18	Other Taxes and Receipts
		(198)	Other Budgetary Financing Sources
Net Cost	(218,424)	(218,424)	Net Cost
Cumulative Results of Operations, Ending Balance	**$ (27,033)**	**$ (27,033)**	
Net Position	**$ 84,494**	**$ 84,494**	**Net Position, End of Period**

NOTE 20. Other Matters

Some portion of the current-year financial assistance expenses (grants) may include funded recipient expenditures that are subsequently disallowed through program review or audit processes. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Department's financial position.

Required Supplementary Information (Unaudited)

U.S. Department of Education
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2024

(Dollars in Millions)
(Unaudited)

	Federal Student Aid		Office of Elementary and Secondary Education
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary
BUDGETARY RESOURCES			
Unobligated Balance from Prior Year Budget Authority (Net) (Note 17)	$ 17,008	$ 30,569	$ 2,612
Appropriations (Discretionary and Mandatory)	161,416	340	27,363
Borrowing Authority (Discretionary and Mandatory) (Note 17)	-	135,798	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	434	105,451	(1)
Total Budgetary Resources	**$ 178,858**	**$ 272,158**	**$ 29,974**
STATUS OF BUDGETARY RESOURCES			
New Obligations and Upward Adjustments (Total)	$ 170,671	$ 222,432	$ 27,632
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	4,273	-	889
Unapportioned, Unexpired Accounts	633	49,726	1
Unexpired Unobligated Balance, End of Year	**$ 4,906**	**$ 49,726**	**$ 890**
Expired Unobligated Balance, End of Year	3,281	-	1,452
Unobligated Balance, End of Year (Total)	**$ 8,187**	**$ 49,726**	**$ 2,342**
Total Status of Budgetary Resources	**$ 178,858**	**$ 272,158**	**$ 29,974**
OUTLAYS, NET, AND DISBURSEMENTS, NET			
Outlays, Net (Discretionary and Mandatory)	$ 160,260		$ 27,533
Distributed Offsetting Receipts (-) (Note 17)	(5,458)		-
Agency Outlays, Net (Discretionary and Mandatory) (Notes 17 and 18)	**$ 154,802**		**$ 27,533**
Disbursements, Net (Total) (Mandatory)		**$ (44,791)**	

Office of Special Education and Rehabilitative Services	Education Stabilization Fund	Other		Combined		Total
Budgetary	Budgetary	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	
$ 705	$ 103	$ 1,982	$ 90	$ 22,410	$ 30,659	$ 53,069
19,639	-	9,548	-	217,966	340	218,306
-	-	-	406	-	136,204	136,204
(1)	-	58	71	490	105,522	106,012
$ 20,343	**$ 103**	**$ 11,588**	**$ 567**	**$ 240,866**	**$ 272,725**	**$ 513,591**
$ 19,919	$ -	$ 10,022	$ 463	$ 228,244	$ 222,895	$ 451,139
6	-	853	-	6,021	-	6,021
-	-	-	104	634	49,830	50,464
$ 6	**$ -**	**$ 853**	**$ 104**	**$ 6,655**	**$ 49,830**	**$ 56,485**
418	103	713	-	5,967	-	5,967
$ 424	**$ 103**	**$ 1,566**	**$ 104**	**$ 12,622**	**$ 49,830**	**$ 62,452**
$ 20,343	**$ 103**	**$ 11,588**	**$ 567**	**$ 240,866**	**$ 272,725**	**$ 513,591**
$ 20,662	$ 55,516	$ 9,175		$ 273,146		$ 273,146
-	-	232		(5,226)		(5,226)
$ 20,662	**$ 55,516**	**$ 9,407**		**$ 267,920**		**$ 267,920**
			$ 168		**$ (44,623)**	**$ (44,623)**

Memorandum from the Office of Inspector General

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

November 14, 2024

TO: The Honorable Miguel Cardona
Secretary of Education

FROM: Sandra D. Bruce
Inspector General

SUBJECT: Management Challenges for Fiscal Year 2025

In compliance with the Reports Consolidation Act of 2000, the U.S. Department of Education (Department) Office of Inspector General (OIG) reports annually on the most serious management and performance challenges the Department faces. These reports include an assessment of the Department's progress in addressing the challenges and identify further actions that, if properly implemented, could enhance the effectiveness of the Department's programs and operations.

The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement and where a failure to perform well could seriously affect the ability of the Department to achieve its mission or goals. To identify management challenges, the OIG examines audit, inspection, quick response, and investigative work; reviews corrective actions that have not been completed; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could pose significant challenges. We also considered the accomplishments and implementation status reported by the Department and evaluated its progress for each management challenge.

For fiscal year (FY) 2025, we identified four management challenges the Department faces as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. Our FY 2024 Management Challenges report identified "Implementing Pandemic Relief Laws for Elementary and Secondary Education" and "Implementing Pandemic Relief Laws for Higher Education" as management challenges for the Department. We removed both challenges for FY 2025 due to the timing of the pandemic relief programs and pandemic-related flexibilities as well as the implementation results demonstrated by the Department. Our FY 2024 report also included "Improper Payments" as a management challenge for the Department. We removed this challenge after consideration of our most recent audit results and the related criteria established by the Government Performance and Results Modernization Act of 2010.

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Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

While the Department made progress in addressing each of the remaining challenges, our work continues to identify vulnerabilities within each area. Additional challenges may exist in areas that we have not recently reviewed.

We provided our draft report to Department officials and considered their comments in developing the final report. This report will be posted to our website at https://oig.ed.gov/reports/list.

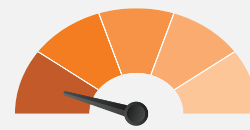
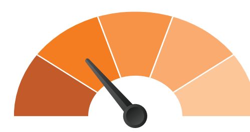
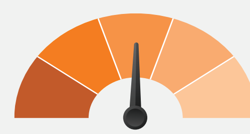
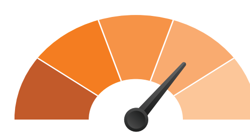
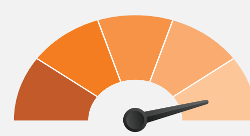
We look forward to working with the Department to address the FY 2025 management challenges in the coming year. If you have any questions or would like to discuss these issues, please contact me at (202) 245-6900.

Office of Inspector General's (OIG) Management and Performance Challenges for Fiscal Year 2025

Framework for Assessing Fiscal Year 2025 Management Challenges

We developed and implemented a framework to assess the Department's activities in response to individual management challenges as part of our FY 2024 reporting. This is our second year of applying this framework, which is described in Table 4 below.

Table 4. Framework for Assessing Department Progress in Addressing Challenge Areas

Description of Response to the Challenge	Score
New challenge, not rated	N/A
A comprehensive plan has not been developed in response to the challenge, or a plan has been developed but it requires significant improvement to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 Level 1—Beginning Progress
A comprehensive plan has been developed in response to the challenge, however, some improvement is needed to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 Level 2—Limited Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. However, the plan has not been substantially implemented or the plan has been substantially implemented but limited or no results have been demonstrated.	 Level 3—Established Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been substantially implemented and partial results have been demonstrated.	 Level 4—Significant Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been implemented and substantial results have been demonstrated, but continued efforts are needed to fully mitigate the challenge.	 Level 5—Demonstrated Progress

In applying this framework, challenge areas that receive an assessment of "Level 5—Demonstrated Progress" in consecutive years will be considered for removal or modification in subsequent management challenges reporting.

We reviewed information provided by the Department to gain an understanding of its approach to address each management challenge. This included information relating to its highest-priority corrective actions and other activities intended to mitigate weaknesses. We assessed whether the information identified by the Department collectively provided a reasonable basis to address and reduce major risks relating to each challenge. We also considered the identified implementation status and any related outcomes that would support achievement of results within each challenge.

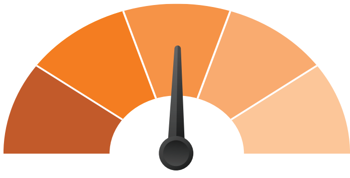
The outcomes of audit and investigative activity were factors in the identification of challenge areas and were considered as part of the assessment of the Department's progress. The overall progress score considers factors such as the effectiveness of the Department's efforts to identify root causes, develop and implement corrective actions, and assess the results of its efforts. Additional details on the Department's activities and their responsiveness to the individual challenge areas are included under "Progress in Meeting the Challenge" that appears near the end of each management challenge section.

Management Challenge 1—Oversight and Monitoring of Student Financial Assistance Programs

Within the Department, FSA administers the Federal student assistance programs and the Office of Postsecondary Education (OPE) develops Federal postsecondary education policy and regulations for the Federal student assistance programs. OPE also administers the review process for accrediting agencies to ensure that the Department recognizes only agencies that are reliable authorities for evaluating the quality of education and training postsecondary institutions offer.

FSA directly manages or oversees a loan portfolio of more than $1.6 trillion, representing about 217 million student loans to more than 45 million borrowers. FSA oversees the disbursement of about $33 billion in grants to about 6 million recipients.[5] FSA also oversees approximately 5,400 postsecondary institutions that participate in the Federal student aid programs. In FY 2024, FSA performed these functions with an administrative budget of about $2.1 billion and about 1,400 employees, along with contractors that provide outsourced business operations.

FY 2025 Assessment: Level 3—Established Progress



The Department identified actions in response to this challenge that focused on a variety of areas including regulatory changes, process improvements, and strengthening oversight of post-secondary schools. FSA provided descriptions of related goals and milestones, plans to track performance and report outcomes, and processes to review and assess progress. We also noted ongoing efforts to improve the performance of the Free Application for Federal Student Aid (FAFSA). Collectively these activities identified a comprehensive framework with the potential to mitigate this challenge. Some of these

5 Information relating to the amount of the loan portfolio, number of loans and borrowers, amount of grants, and number of recipients are from the Federal Student Aid Annual Report FY 2024.

activities have been substantially implemented with results demonstrated, while other activities are ongoing.

Why This is a Challenge

The Department must provide effective oversight and monitoring of the student financial assistance programs to help ensure organizational goals can be achieved and that the programs are not subject to fraud, waste, and abuse. The Department's responsibilities include coordinating and monitoring the activity of many Federal, State, nonprofit, and private entities involved in Federal student aid delivery, within a statutory framework established by Congress and a regulatory framework established by the Department. These entities include postsecondary institutions, contracted servicers, accrediting agencies, guaranty agencies, and lenders.

The Department also faces challenges in its oversight and monitoring of the new FAFSA Processing System (FPS) and other IT modernization efforts. The FPS's delayed launch in December 2023 coincided with a series of technical problems that negatively impacted students, parents, and schools. As of October 30, 2024, FSA reports that a number of technical problems with the new FPS remain unresolved or subject to workarounds. Reviews by the U.S. Government Accountability Office (GAO) and the OIG have found that FSA has not always followed best practices or its own IT project management guidelines related to a project's lifecycle cost estimates, lifecycle management methodology, the development and management of project requirements, systems testing, independent acquisition reviews, and governance and oversight.

Recent Work Performed by the OIG and GAO

Audit and Inspection Activities

With respect to oversight and monitoring of student financial assistance programs, the OIG has recently issued reports in a wide range of areas including Business Process Operations (BPO) vendors, the FSA ID, the Next Gen Loan Servicing Environment, and the Student Aid and Borrower Eligibility Reform Initiative (SABER). GAO recently issued reports in areas such as debt relief initiatives and the FAFSA. These reports consistently identified weaknesses in management controls including those related to risk assessment, control activities, and information and communication. A summary of major audit and inspection activity within each area is shown in Table 5. A complete listing of the selected reports within this challenge area appears at the end of this section.

Table 5. Selected OIG and GAO Reports Relating to the Oversight and Monitoring of Student Financial Assistance Programs

Activities Reviewed	Summary of Major Audit and Inspection Activity
90/10	We found that FSA had several processes for overseeing proprietary institutions' compliance with 90/10 revenue requirements. However, we found the Department's reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.
Debt Relief	GAO found that the Department began approving borrowers for relief without implementing key procedures to prevent fraud.
FSA ID	We found that FSA could take further actions by implementing preventive controls to better protect Title IV funds and the public from fraudulent activity. We also found that approximately $27.3 million in Title IV funds was disbursed to suspected fraudulent FSA ID accounts.
Return to Repayment	We found that FSA needed to establish effective performance measures and indicators to evaluate its performance for returning borrowers to repayment. Although FSA and the Department established objectives and goals for returning borrowers to repayment, they were not written in specific and measurable terms. In addition, although FSA identified several data metrics as performance measures and indicators, they did not include clearly defined targeted percentages, numerical values, milestones, or measurements.

Activities Reviewed	Summary of Major Audit and Inspection Activity
Experimental Sites Initiative	We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report.
FAFSA	In one report, GAO found that FSA did not ensure disciplined systems acquisition practices were applied, did not always follow established guidance to define and manage requirements and carry out testing activities, and did not provide effective oversight of FPS. GAO also reported that FSA delayed the delivery of key FPS requirements and did not identify numerous FPS defects until after deployment. In a separate report, GAO found the Department had not consistently provided students with timely and sufficient information or support to complete the new FAFSA and did not consistently provide timely updates on the status of students' FAFSA applications or offer solutions to technical barriers. It also found that the Department did not provide reliable timeframes or communicate changes to colleges in a timely manner throughout the rollout of the then-current FAFSA cycle.
SABER Initiative	We found that FSA did not effectively perform implementation activities for four Federal Tax Information-related SABER systems that we reviewed because it did not always perform key steps or could not provide sufficient evidence to support completion of such key steps. These key steps pertained to FSA's establishing and monitoring of the systems' costs and budgets, its performance oversight of the contractors responsible for implementing the systems, and its management of the risks, decisions, and issues pertaining to the systems' implementation.
Next Generation Loan Servicing Environment	We found that although FSA had processes in place for planning and managing the transition to the Next Gen loan servicing environment, FSA did not perform key steps within those processes or follow best practices for acquisition planning that could have better ensured the proper planning and managing of the transition.
BPO Vendors	We found that FSA has not developed effective plans for transitioning assigned activities to its BPO vendors. We identified weaknesses related to FSA's schedule management and lifecycle management methodology documentation and related reviews. We also found that the planned transition of two of the three phases has been pushed back repeatedly. We found that FSA revised the performance framework to lower targets for some metrics and removed others after all BPO vendors initially struggled to meet performance metrics.
Professional Judgment	We performed a series of audits at three schools. Overall, we found two schools did not always apply professional judgment in accordance with the Higher Education Act of 1965 and all three schools did not always adequately document the application of professional judgment.

Investigations of Student Financial Assistance Program Participants

The OIG's recent investigative work continues to identify fraud, waste, and abuse of student financial assistance program funds. This includes each of the areas in Table 6.

Table 6. OIG's Recent Investigative Activity Relating to the Student Financial Assistance Programs

Area	Related Investigative Activity
Institutions	Pursuant to an FSA Site review, the OIG is investigating an institution for operating an unapproved location.
School Officials	OIG is investigating allegations that a school and its president falsely charged students for expenses already paid for and then redirected federal funds to pay for personal expenses of an official.
Distance Education Fraud Rings	Fraud rings are large, loosely affiliated groups of criminals who seek to exploit vulnerabilities in distance education programs. The OIG has investigated numerous instances where these groups use the identities of others (with or without their consent) to fraudulently obtain Federal student aid.
Collaboration with FSA	OIG and FSA continued to meet quarterly and as needed under its established Memorandum of Understanding to collaborate where appropriate on Title IV violations and institutional fraud, waste, and abuse.

Ongoing and Planned Work

Our ongoing work in this area includes FSA's accounting for the FAFSA Simplification Act and student loan forgiveness initiatives, FSA's plans for processing 2025-2026 FAFSA forms, FSA's oversight of Section 117 foreign gift and contract reporting requirements, and the Department's assessment and recoupment of liabilities from closed colleges.

Planned projects for FY 2025 include FSA's implementation of the Partner Connect System, FSA's transition of student loan servicing to its Unified Servicing and Data Solution, FSA's monitoring of contractor performance and invoicing, and postsecondary schools' compliance with selected Title IV program requirements.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 3, or "Established Process." Overall, the Department communicated plans to address this Management Challenge that focused on a variety of areas including regulatory changes, process improvements, and strengthening oversight of post-secondary schools. The Department generally provided descriptions of related goals and milestones, plans to track performance and report outcomes, and processes to review and assess progress. We also noted ongoing efforts to improve the performance of the FPS.

Regulatory Changes

FSA stated that the Department published regulations that became effective during 2023 and 2024 and impacted several important areas relating to the student financial assistance programs. This included providing guidance on changes in ownership, creating more stringent requirements for revenue sources other than federal funding, and providing for conditional approval of school conversions from for-profit to non-profit status. It also included increasing the rigor of financial responsibility standards, establishing new Financial Value Transparency (FVT) and Gainful Employment (GE) requirements, and adding new institutional administrative capability and certification requirements.

FSA noted that the regulatory changes were made to improve its ability to oversee and monitor postsecondary institutions and increase accountability for those institutions. For example, new financial responsibility regulations were intended to improve assessments of institutions' financial stability and help ensure that taxpayers are better protected from the costs of sudden school closures by outlining certain mandatory triggering events that will result in requests for a letter of credit or other forms of financial protection from institutions to be submitted to the Department. The new administrative capability requirements included items relating to the provision of adequate financial aid counseling and financial aid communications to students, limiting an institution from having a principal or affiliate whose misconduct or institutional closure contributed to significant liabilities to the Federal government, and strengthening requirements that institutions develop and follow adequate procedures to evaluate the validity of a student's high school diploma.

FSA stated that the Department established and amended FVT and GE regulations to address concerns about programs designed to prepare students for gainful employment but leave them with debt or with no gain in earnings compared to others with less education. The regulations were also intended to enhance transparency by providing information about financial costs and benefits to students for nearly all academic programs at institutions that participate in the Title IV programs**.**

- The FVT regulations are intended to improve the quality and availability of information provided directly to students about the costs, sources of financial aid, and outcomes of students enrolled in all Title IV eligible programs. These regulations establish two measures: the debt-to-earnings measure and the earnings premium measure. The regulations also establish performance benchmarks for each measure to determine whether the program may have adverse financial consequences to students.
- The GE regulations establish an accountability framework for GE programs that uses the same earnings premium and debt-to-earnings measures to determine whether a GE program remains eligible for Title IV funds.

In terms of progress, FSA stated that new regulations have been published and related Electronic Announcements have been provided to the community containing detailed guidance. FSA stated that schools will provide new data that will improve its ability to assess financial stability. It added that preparation for expanded data collection is ongoing and reporting will be due for financial responsibility and communication of administrative capability provisions.

FSA further indicated that the FVT/GE project status is regularly assessed with project teams and in regularly scheduled Department senior leadership briefings. FSA noted that achievements included numerous system changes, such as enhancing the National Student Loan Data System for data collection, had been completed. It was expected that FVT/GE calculations would be published in winter 2025 with full integration into student and partner process by summer 2026.

Process Improvements

FSA specifically identified two activities, Partner Connect and Unified Servicing and Data Solution (USDS), as priority corrective actions.

FSA stated that it launched the Partner Connect system for individuals involved in the administration of Title IV financial aid. Partner Connect provides a “digital front door” for users to explore policy and guidance in the Knowledge Center, access tools, find training announcements, or links to other Federal Student Aid websites to manage Title IV program eligibility and complete aid administration tasks. FSA believed that the Partner Connect system would improve the efficiency and effectiveness of FSA’s oversight and monitoring of schools and other partners through consolidation of information into one system while allowing for greater automation and increased reporting capabilities. FSA further believed that Partner Connect allows its partners to share reporting and other information more easily and efficiently with FSA.

In terms of goals, FSA reported that Partner Connect functionality will be enhanced to reduce manual processing and improve the user experience. FSA indicated that testing and reviews of Partner Connect system implementation are ongoing to determine additional improvements needed and system fixes. It further stated that related progress will be tracked and reported on a recurring basis.

FSA stated that the USDS implementation will improve the experience and repayment outcomes for millions of federal student loan borrowers. FSA stated that USDS will enable FSA to transition from the current loan servicing contracts into a more stable servicing environment that ensures borrowers can continue to manage repayment. It will also enable FSA to provide increased oversight of loan servicers and to better safeguard borrowers’ personal information through higher cybersecurity standards. Related goals and milestones included establishment of service level agreements and objectives that set expectations for critical customer service functions, ensuring that servicers met all cybersecurity requirements before beginning work under USDS, and a phased approach to changes in specialty servicing.

FSA reported processes to track, review, and report USDS-related performance and progress included requiring servicers to regularly report metrics that measure performance and reporting. FSA specifically noted that servicer’s performance is reviewed quarterly and failure to meet service level agreements can result in financial penalties. FSA further stated that it is consistently reporting on the progress of specialty servicing to leadership.

FSA reported achievements that included contract awards made to four existing and one new loan servicer, integrating the new servicer who now services nearly 400,000 borrowers, and measuring first quarter service level agreements. FSA reported that it expected full standup of the new servicer and full transition of specialty servicing in FY 2025.

Strengthening Oversight of Postsecondary Schools

FSA stated that its Enforcement Office continues to focus on schools that pose the most risk to students and taxpayers and reinforces other school oversight and compliance efforts through identifying and addressing serious wrongdoing. It identified a series of planned actions, assessment activities, and student statuses. Completed activities demonstrating results included those relating to staffing, establishment of policies and procedures, development of a tracker and model to identify schools and practices that pose the highest risk to Title IV students and their families, and implementing new investigative tools to increase its ability to efficiently gather probative evidence.

FSA reported completing multiple significant actions based on the efforts of its investigations team. As an example, its work resulted in denial for a school's application for recertification based on abuses of the Title IV program and students. FSA noted that during the 2021–2022 student aid award year, this school enrolled nearly 9,000 students and received over $85 million in Title IV funds. It also established multiple processes to publicize its work as a method to support compliance and deter misconduct.

FPS and FAFSA Form

In August 2024, the Department announced the 2025–26 FAFSA would be launched through a phased rollout that it described as consistent with software industry best-practices. According to the Department, the goal of the phased rollout is to work with limited groups of users to identify and resolve the system errors before a full-scale launch. The Department further noted that the phased rollout would also allow it to incorporate user feedback to ensure the application's instructions are clear and easy-to-use for students and contributors and provide resources for the community that supports students and families. The Department also noted the testing phase would begin on October 1, 2024, with additional test periods of increasing scale following from mid-October through mid-November.

The Department stated that it would seek feedback from its partners through listening sessions and a new formal request for information. It further indicated that it would publish information on what has been learned through these engagements, including releasing a new roadmap with additional tools for students and families, counselors, institutions, and other partners. The Department added that during this process it would share regular updates regarding progress with students, families, and stakeholders.

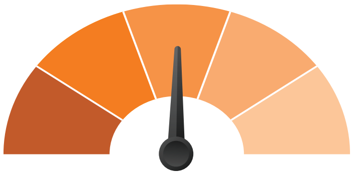
What the Department Needs to Do

As the Department continues to implement actions relating to regulatory changes, Partner Connect and USDS implementation, school oversight, and FAFSA activities, it remains important to ensure it can track and report on results to demonstrate improvement in its oversight and monitoring activities.

Management Challenge 2—Oversight and Monitoring of Grantees

The Department is responsible for administering education programs that Congress authorized and the President signed into law. This responsibility includes awarding program funds to a wide range of eligible recipients, including local educational agencies (LEA), State educational agencies (SEA), institutions of higher education, individuals, nonprofits, and other organizations and monitoring their progress in meeting program objectives. The Department also ensures that programs are administered fairly and that grants are executed in conformance with both authorizing statutes and laws prohibiting discrimination in federally funded activities, collects data and conducts research on education, and helps to focus attention on education issues of national importance. The funding for many grant programs flows through primary recipients, such as SEAs, to subrecipients, such as LEAs or other entities. The primary recipients must oversee and monitor the subrecipients' activities to ensure compliance with Federal requirements.

FY 2025 Assessment: Level 3—Established Progress



We assessed the Department's actions in response to this challenge at Level 3, or "Established Progress." Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance and broadening consolidated monitoring efforts. These activities have been substantially implemented and limited results have been demonstrated.

Why This is a Challenge

The Department administers programs that touch every area and level of education, serving students from early learning through adult education. Its grant programs annually serve more than 17,000 public school districts and more than 55 million students attending more than 98,000 public and 30,000 private schools, as well as about 9 million postsecondary students attending 5,400 colleges and universities.

One of the key programs that the Department administers is Title I, Part A, which provides supplemental education funding, especially in communities of concentrated poverty, for local programs that provide educational opportunities and additional academic support to help students in schools with high rates of poverty meet challenging State academic standards. In FY 2024, this program provided about $18.4 billion to serve an estimated 26 million students in nearly 90 percent of school districts and nearly 60 percent of all public schools. Another key program is Individuals with Disabilities Education Act, Part B Grants to States, which provided about $14.2 billion in FY 2024 to help States and school districts meet the special educational needs of an estimated 7.5 million students with disabilities.

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits related to several grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes.

Audit, Inspection and Quick Response Activities

Recent OIG and GAO reports related to the Department's oversight and monitoring processes over Federal education grant programs identified internal control weaknesses and opportunities for improvement. These weaknesses could limit the effectiveness of the Department's activities, decision making, and programmatic guidance. A summary of major audit, inspection, and quick response activity within each area is shown in Table 7. A complete listing of the selected reports within this challenge area appears at the end of this section.

Table 7. Selected OIG and GAO Reports Relating to the Department's Oversight and Monitoring of Federal Education Grant Programsn

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Alternate Academic Assessments	We found that the Department generally appropriately approved 21 of 22 requests for alternate assessment waivers and waiver extensions for SY 2021–2022. However, we identified areas where the Department could strengthen its related process, to include providing sufficient clarification and guidance to staff performing the reviews on what constitutes acceptable State responses to certain requirements and how to adequately document determinations when exercising professional judgment so that a clear basis for the determination is provided. This would provide for greater consistency and less subjectivity in its treatment of State waiver requests.
Charter Schools	We completed two audits in a series of work on charter school programs. In one audit, we found that the Department designed processes to provide reasonable assurance that grantees reported reliable information and spent grant funds only on allowable activities and in accordance with program requirements, but the Charter School Program office did not always implement those processes as designed. As a result, the Department might not have had reliable information needed to make informed decisions about continuation funding; did not always ensure that grantees implemented corrective actions to address significant compliance issues relevant to their use of grant funds, fiscal control, and fund accounting; and might not have provided timely assistance to grantees that needed assistance to meet their approved goals. In a second audit, we found that the Department did not track and report on whether charter schools opened by grant recipients and expanded with Federal funds remained open after the grant performance period ended. We also found that grant recipients did not always open or expand the number of charter schools committed to in their approved grant applications.
Individuals with Disabilities Education Act	We found that the Office of Special Education Programs provided general guidance and technical assistance for SEAs, to assist them in implementing significant disproportionality regulatory requirements. It also performed ongoing monitoring of SEAs' compliance with Individuals with Disabilities Education Act requirements and program results. However, it had not performed a risk assessment to determine if the change in the regulation affects the control activities that it has established for monitoring significant disproportionality, particularly regarding data reliability.
Parent and Family Engagement	GAO found that the Department issued guidance in 2004 to help with implementation of Title I's parent and family engagement requirements. However, GAO found that the guidance contained outdated information about the law and was missing information about current requirements. GAO concluded that absent updated guidance, States, districts, and schools may continue to rely on obsolete information to guide their parent and family engagement efforts.
School Improvement Activities	GAO found that the Department monitors State compliance with ESEA school improvement requirements and identified and addressed compliance issues through its monitoring efforts. However, GAO found that the Department's ability to identify compliance issues may be limited because it relies on monitored States and districts to select the comprehensive support and improvement plans that it reviews.
Vocational Rehabilitation Services	We found that the Department generally had sufficient processes for overseeing State vocational rehabilitation agencies' effective use of funds. However, we found that the Department could strengthen its oversight in key areas by developing documented procedures for its annual reviews, improving its risk assessment processes by incorporating a risk factor that accounts for a State vocational rehabilitation agency's effective technical assistance needs, and establishing a reasonable period during which all State vocational rehabilitation agencies must be subject to onsite or offsite monitoring at least once.

Our recent reports relating to grantee implementation of Federal education grant programs identified weaknesses that could impact their ability to achieve intended programmatic results. Related work is identified in Table 8. A complete listing of the selected reports within this challenge area appears at the end of this section

Table 8. Selected Recent OIG Reports Relating to Grantee Implementation of Federal Education Grant Programs

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Statewide Accountability Systems	We completed two audits in a series of work on States' implementation of selected components of their statewide accountability systems. We found that one State did not always calculate indicator scores, perform annual meaningful differentiation, and identify schools for comprehensive support and improvement in accordance with its approved State plan and amendment. We found that another State implemented the selected components of the statewide accountability system in accordance with its approved plan, but it did not identify one school that should have been identified for additional support and improvement and did not provide additional funding to one LEA that it identified as needing additional support. The State also did not keep records showing how it calculated the amount of Title I funds reserved under section 1003 of the ESEA that each LEA should receive or records showing that it provided additional support services to LEAs with schools that it identified as needing improvement.

Investigations of Federal Education Grant Program Participants

The OIG's recent investigative work continues to identify fraud relating to Federal education grant programs. This includes the areas identified in Table 9.

Table 9. OIG's Recent Investigative Activity Relating to Federal Education Grant Programs

Area	Related Investigative Activity
LEA Officials	The OIG is investigating allegations that a school district accountant has stolen from school accounts. The OIG also investigated allegations with other agencies that a director of fiscal services for a district embezzled funds from the Governor's Emergency Education Relief Fund and Elementary and Secondary School Emergency Relief Fund. The OIG is investigating allegations of potential kickbacks between a school principal and vendor.
Grantees	OIG is investigating allegations that a grantee submitted false invoices for services not rendered.
Charter School Officials	The OIG is investigating a charter school executive director who embezzled school funds.
Vendors	The OIG is investigating allegations that vendors submitted false invoices for consulting services that were not rendered.

Ongoing and Planned Work

Ongoing work in this area includes reviews of additional SEAs' implementation of their statewide accountability systems; a selected SEA's oversight of Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At-Risk; and the Department's processes for awarding School-Based Mental Health Services program grants and monitoring grantee performance.

Planned projects for FY 2025 include reviews of selected SEAs' oversight of their Student Support and Academic Enrichment program grants, selected SEAs' oversight of digital wallet-related technologies and services, selected LEAs' internal controls over Individualized Education Programs, and the Department's oversight of both the Supporting Effective Instruction and English Language Acquisition State Grants programs.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 3, or "Established Progress." Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance and broadening consolidated monitoring efforts. These activities have the potential to mitigate this challenge. However, the Department did not provide significant information that clearly identified outcomes of these initiatives.

Training and Technical Assistance

The Department's Grants Management Policy Division regularly communicates on subject areas and training opportunities that can help build the Department's internal capacity to oversee grants. Overall, the Department's efforts continue to build knowledge and expertise. The Department's efforts included training opportunities identified below.

- Multiple "Table Talk" sessions that allow staff to share best practices and common concerns on all facets of discretionary and formula grants administration. These sessions are intended to create open dialogues in an informal manner to generate a better understanding of timely issues. Examples of FY 2024 subject matter included indirect costs, updates to the Uniform Guidance and Department grants policy bulletins, and results from the Department's most recent Grantee Satisfaction Survey.
- Multiple "Monitoring Moments" sessions that are intermediary monitoring courses that offer Department staff greater insight into supporting formula and discretionary grantees to achieve their goals and objectives while being fully compliant with all grant award terms and conditions.
- An advanced "Grants Administration" training program that provides a five course advanced grants administration training curriculum to help experienced staff partner more effectively with grantees. Specific subject matter included leveraging single audits as part of financial management and tools and principles for evaluating and mitigating grantee risk.
- Targeted training subject matter that covered areas such as implementing revised Uniform Guidance; data quality; payment integrity; assessing grantee performance, financial, and compliance activities; grant scheduling; and grant closeout.
- The Department's Grants Risk Management Services Division also hosted sessions to communicate risk concentrations and issues identified based on a comprehensive assessment of financial risk indicators and other relevant information for specific SEAs.

Consolidated Monitoring

The Department stated that it has broadened its consolidated monitoring efforts for formula grants to reduce redundancy and ensure proper oversight. Also, the Department added that it is committed to increasing these reviews incrementally to reflect risk based on appropriation values. The Department further stated that it has broadened oversight efforts for certain formula grants and expanded the number of States to be monitored from four to five. The Department noted that final monitoring reports are posted publicly, and its staff work continuously to resolve related findings.

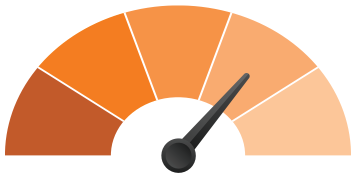
What the Department Needs to Do

It will be important for the Department to develop measures to track the outcomes of its various efforts to improve monitoring and oversight.

Management Challenge 3 — Data Quality and Reporting

The Department collects, analyzes, and reports on data for many purposes that include enhancing the public's ability to access high-value education-related information, reporting on programmatic and operational performance, informing management decisions, and improving education in the United States. The Department collects information from numerous sources, including States, which compile information relating to public school districts; public schools; postsecondary institutions, including colleges, universities, and institutions offering technical and vocational education at or beyond the high school level; and surveys of private schools, public elementary and secondary schools, students, teachers, and principals.

FY 2025 Assessment: Level 4—Significant Progress



We assessed the Department's ongoing actions in response to this challenge at Level 4, or "Significant Progress." Overall, the Department identified root causes of the challenge and developed responsive activities through the design and implementation of requirements for data collection planning and providing data quality resources, training, and technical assistance. We found that this represented a comprehensive plan and that the planned activities have the potential to mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

Why This Is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and complete. The Department relies on program data to evaluate program performance and inform management decisions.

Audits, Inspections, and Quick Response Activities

Our recent audit work identified a variety of weaknesses in the quality of reported data and recommended improvements at the Department and at SEAs and LEAs. This included the following areas, as shown in Table 10.

Table 10. Selected OIG Data Quality-Related Reports

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
90/10	We found that FSA had several processes for overseeing proprietary institutions' compliance with 90/10 revenue requirements. However, we found the Department's reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.
Charter Schools	We found that the Charter School Program office's processes did not result in grant recipients reporting clear, reliable, and timely information. Their processes also did not result in the Charter School Program office receiving all the information needed to assess grant recipients' performance or evaluate the overall effectiveness of the Charter School Program.
Digital Accountability and Transparency Act (DATA Act)	An independent public accountant, with OIG oversight, determined that the Department submitted data of excellent quality based on guidance provided by the Council of Inspectors General on Integrity and Efficiency. It also determined that the Department implemented and used the governmentwide financial data standards established under the DATA Act. However, it found that Department did not submit certain data completely, accurately, or timely, and identified internal control deficiencies over the Department's DATA Act submissions.
Disaster Recovery	We found that four SEAs did not ensure that the displaced student count data provided to the Department under the Temporary Emergency Impact Aid for Displaced Students program were accurate and complete. This included instances when students who did not change schools or did not transfer from a disaster area were included in displaced student counts, students withdrew from the school prior to the disaster or enrolled after the reporting date, and displaced student counts were not supported by adequate documentation.
Experimental Sites Initiative	We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report. This created a situation where the success or failure of the experiments conducted under the ESI has not been reported to those in Congress and the Department who could use the information to enhance higher education policy to better serve students.

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Financial Reporting	For FY 2023, the independent auditor issued a disclaimer of opinion as it was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because of unresolved errors identified in the underlying data used to calculate the subsidy re-estimates for the Department's direct loan and loan guaranty programs. For FY 2022, the independent auditor issued a disclaimer of opinion as it was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs stemming from the broad-based debt relief as of September 30, 2022.
Statewide Accountability Systems	We found that one SEA did not always calculate indicator scores, perform annual meaningful differentiation, and identify schools for comprehensive support and improvement in accordance with its approved State plan and amendment. Because it used criteria other than what was identified in its approved plan, the SEA reported higher letter grades than it should have for 96 of its 235 public high schools.

Ongoing and Planned Work

Ongoing work in this area includes FSA's oversight of section 117 foreign gift and contract reporting requirements, selected SEAs' implementation of their Statewide accountability systems, and a selected SEA's oversight of the Prevention and Intervention Program for Children and Youth Who Are Neglected, Delinquent, or At Risk.

Our planned work for FY 2025 includes reviews of the Department's oversight of Stronger Connections Grant reporting and Magnet Schools Assistance program grants, and its evaluation of Full-Service Community Schools program grantee performance. Additional work will be performed based on the results of ongoing reviews and programmatic- and grantee-related risk assessments.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." Overall, the Department identified root causes of the challenge that included capacity among grant recipients, subrecipients, and the Department itself. In response, the Department developed a strategy that informed responsive activities focusing on areas such as data collection planning, use of automated technical solutions, and technical assistance and training for grantees and Department staff. This framework represented a comprehensive plan and included activities that have the potential to further mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

Data Collection Planning

The Office of the Chief Data Officer (OCDO) is responsible for managing and improving the Department's ability to leverage data as a strategic asset. The OCDO continues to recognize the importance of data quality planning to help ensure that data meets intended purposes; is accurate, reliable, and unbiased; and is protected to ensure that it is not compromised through corruption or falsification. The Department described related focus on activities such as establishing data quality plans prior to collection, ensuring data is fit for its intended purpose, right sizing scope, and aligning necessary resources.

The Department has developed a Data Quality Playbook to provide easily deployable strategies to leverage when planning data collections associated with grant programs. While the primary audience for this playbook is grant staff, others can use it to improve data quality as it relates to their work. The playbook provides focus in critical areas such as identifying data uses, limitations, standards, and reporting expectations. It includes additional information on subject areas that include using technology to automate processes, providing technical assistance, and addressing data quality errors. It has also developed a Data Quality Plan template to assist users in performing this activity and has dedicated resources to provide technical assistance to users with this task. The Department maintains a centralized resource for users that provides access to guidance, training, and related resources in a single location.

The Department established related goals and has begun to see results relating to these efforts. It noted that all information collections submitted after April 2024 were expected to include a Data Quality Plan, in line with the provisions of the agency's revision of the Information Quality Act Guidelines. As of September 2024, Department offices had submitted six complete Information Collection Request packages with new Data Quality Plans.

Data Quality Resources, Training, and Technical Assistance

The Department recognizes the importance of accessible information on data quality efforts and continues to maintain an Education Stabilization Fund online portal that includes guidelines, guidance, templates, references, and resources. Additionally, its related data quality policy is under review with the Department's Data Governance Board and is expected to be finalized in early FY 2025.

The Department has developed specific training relating to the Data Quality Playbook and additional training that includes a data quality session for all Department staff that provides information on data quality concepts. This training explained OCDO initiatives on data quality, common causes of data quality issues and mitigation activities, and common red flags. The Department reported that the Data Quality Playbook training was offered quarterly with about 100 staff participating in FY 2024. It further noted that an on-demand version of the training was made available in September 2024.

The Department reported increases in the frequency and scope of Education Stabilization Fund grant pre-collection technical assistance and hands-on live grantee assistance throughout FY 2024. Specifically, OCDO provided technical assistance to staff representing the six programs that submitted Data Quality Plans.

Overall, the Department identified several ways to assess the results of its activities. This included access to training and technical assistance, timeliness of reporting, reduction in data errors, results of data quality studies, and an internal performance indicator in the Department's FY 2022–2026 Strategic Plan.

What the Department Needs to Do

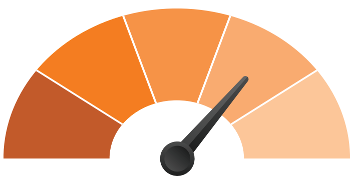
It will be important for the Department to fully implement its enterprise-wide initiatives and to demonstrate the results of these efforts.

Management Challenge 4—Information Technology Security

The Federal Information Security Modernization Act of 2014 (FISMA) requires the OIG to assess the effectiveness of the agency's information security program. FISMA mandates that this evaluation includes (1) testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems; and (2) an assessment of the effectiveness of the information security policies, procedures, and practices of the agency.

Through the Office of the Chief Information Officer (OCIO), the Department monitors and evaluates the contractor-provided IT (information technology) services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. In addition to OCIO, FSA has its own chief information officer, whose primary responsibility is to promote the effective use of technology to achieve FSA's strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support.

FY 2025 Assessment: Level 4—Significant Progress



We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." The Department's actions and plans included activities intended to improve IT security and expand related operational capabilities. This framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing with improvements demonstrated in the results of our FISMA work. Completion of Zero-Trust Architecture implementation, which was identified as a priority corrective action, is expected in FY 2025. This will represent another significant improvement in the Department's information security program.

Why This Is a Challenge

The Department's systems house millions of sensitive records on students, their parents, and others, and are used to process billions of dollars in education funding. These systems are primarily operated and maintained by contractors and are accessed by thousands of authorized people (including Department employees, contractor employees, and other third parties such as school financial aid administrators).

Considering increased occurrences of high-profile data breaches (public and private sector), the importance of safeguarding the Department's information and information systems cannot be understated. Protecting this complex IT infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management and operational and technical security controls, the Department's systems and information are vulnerable to attacks. Unauthorized access could result in lost data confidentiality and integrity, limited system availability, and reduced system reliability. For the last several years, IT security audits and financial statement audits have identified security controls that need improvement to adequately protect the Department's systems and data.

Audits and Inspections Involving IT Security

As shown in Table 11, both the FY 2023 and FY 2024 FISMA reviews, performed by an independent public accountant with OIG oversight, determined that the Department's overall IT security program and practices were effective as eight out of the nine FISMA domains met the requirements needed to operate at a Level 4 maturity rating.[6] Overall, the Department showed significant improvement by achieving higher core maturity levels for five of the nine metric domains (56 percent).[7] This specifically raised the maturity level to the highest possible value for supply chain risk management, configuration management, security training, information security continuous monitoring, and contingency planning.

Table 11. Results of FISMA Reviews—FY 2023–2024 (Core Metrics Maturity Levels)

Security Function and Metric Domain	FY 2023 Maturity Level	FY 2024 Maturity Level
Identify: Risk Management	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Identify: Supply Chain Risk Management	Level 4 Managed and Measurable	Level 5 Optimized
Protect: Configuration Management	Level 4 Managed and Measurable	Level 5 Optimized
Protect: Identity and Access Management	Level 3 Consistently Implemented	Level 3 Consistently Implemented
Protect: Data Protection and Privacy	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Protect: Security Training	Level 4 Managed and Measurable	Level 5 Optimized
Detect: Information Security Continuous Monitoring	Level 4 Managed and Measurable	Level 5 Optimized
Respond: Incident Response	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Recover: Contingency Planning	Level 4 Managed and Measurable	Level 5 Optimized

As shown in Table 12, recent FISMA reviews included findings across all (in FY 2023) or most (in FY 2024) of the cybersecurity framework security functions. However, the number of metric domains with findings decreased from six of nine in FY 2023 (66 percent) to three of nine in FY 2024 (33 percent).

6 Within the context of FISMA, Level 4 (Managed and Measurable) is an effective level of maturity.

7 Core metrics are assessed annually and represent a combination of Administration priorities, high impact security processes, and essential functions necessary to determine security program effectiveness. Supplemental metrics are assessed at least once every two years and represent important activities conducted by security programs and contribute to the overall evaluation and determination of security program effectiveness. In determining maturity levels and the overall effectiveness of the agency's information security program, OMB strongly encourages IGs to focus on the results of the core metrics, as these tie directly to Administration priorities and other high-risk areas.

Table 12. Results of OIG FISMA Audits and Inspections—Cybersecurity Framework Security Functions and Metric Domains with New Findings

Security Function and Metric Domain	FY 2023	FY 2024
Identify: Risk Management	Audit Finding	Audit Finding
Identify: Supply Chain Risk Management	-	-
Protect: Configuration Management	Audit Finding	-
Protect: Identity and Access Management	Audit Finding	Audit Finding
Protect: Data Protection and Privacy	Audit Finding	-
Protect: Security Training	-	-
Detect: Information Security Continuous Monitoring	Audit Finding	-
Respond: Incident Response	Audit Finding	-
Recover: Contingency Planning	-	Audit Finding

While the Department's overall IT security program and practices were assessed to be effective in FY 2023 and FY 2024 based on review of the required FISMA metrics, recommendations were made in several areas where the Department could strengthen IT controls. We noted that until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss. In addition, we note that the Department's technology environment is constantly evolving, bringing new threats and cybersecurity requirements. As technology environments evolve, it is important that the Department continues to ensure that it implements the respective security controls to protect its information and resources.

Recent audits of the Department's financial statements, performed by an independent public accountant with OIG oversight, have repeatedly identified IT controls as a significant deficiency. In its FY 2023 report, the independent public accountant noted that FSA management demonstrated progress in implementing corrective actions to remediate some prior-year deficiencies, such as change and configuration management controls. However, they reported that management had not fully remediated prior-year deficiencies in areas such as logical access administration, separated or transferred user access removal, user access reviews and recertification, and computer operations.

The independent public accountant concluded that ineffective IT controls increases the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications.

Ongoing and Planned Work

Planned projects in this area will continue to determine whether the Department's and FSA's overall IT security programs and practices were generally effective as they relate to Federal information security requirements. Planned projects for FY 2025 include the Department's oversight and monitoring of IT inventory and the Department's oversight and management of its websites.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." The Department's actions and plans included activities intended to improve IT security and expand related operational capabilities. Overall, the framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing and partial results have been demonstrated as shown in the results of our FISMA work.

Improving IT Security

As noted in last year's report, the Department's "Fiscal Years 2022–2026 Strategic Plan" includes an IT-related objective and identifies implementation strategies that include strengthening its management of value-added technologies and evolving its cybersecurity capabilities. The Department also developed an "Information Resources Management Strategic Plan FY 2022–2026" that established how the Department will use information management resources to support its mission. This includes goals of strengthening the Department's ability to protect and safeguard data housed within its systems, optimizing its risk posture, and maturing its ability to identify, protect, detect, respond, and recover from cybersecurity threats. This plan includes objectives relating to enhancing capacity to manage cybersecurity risk, implementing enterprise controls to reduce risk, and maturing the Department's Security Operations Centers.

The Department identified implementation of a full Zero-Trust Architecture as a priority corrective action in response to this challenge. Zero-Trust Architecture is a security model based on the principle of least privilege to grant users and devices only the permissions they need to perform their tasks. This makes it more difficult for attackers to gain access to sensitive data. The Department noted that maturing its Zero-Trust Architecture implementation will ensure the Department remains on the forefront of emerging information security strategies and solutions to ensure that controls are continually integrated into its security program. The Department reported that maturity milestones and deliverables are managed and tracked with status reported periodically to OCIO leadership. It specifically reported making significant progress in migrating to a Zero-Trust Architecture through implementing multiple technological improvements, new policies, and an integrated master schedule.

Expanding Operational Capacity

The Department again identified establishing and protecting dedicated lines of funding and personnel for the enterprise cyber and IT program as a second priority corrective action in response to this challenge. The Department indicated that this effort would address the inadequate funding for IT and cybersecurity along with the staffing cuts, lack of adequate recruitment and retention, and lack of incentive pay flexibilities that hamper its efforts to compete with the Federal enterprise and private sector for cyber workforce. The Office of the Chief Information Officer stated that it was coordinating with the Department's budget services on this effort.

What the Department Needs to Do

As the Department continues its efforts to develop and implement an effective system of IT security controls, it will be important that it continues to focus on the timely and successful implementation of corrective actions in response to our audit work. It will also be important for the Department to continue its efforts to advance its Zero-Trust Architecture capabilities, as well as fully implement its identity, credential, and access management strategy.

Department Comments

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

November 12, 2024

TO: Sandra D. Bruce
Inspector General
U.S. Department of Education

FROM: Richard J. Lucas RICHARD LUCAS Digitally signed by RICHARD LUCAS Date: 2024.11.12 14:03:53 -05'00'
Delegated the Duties of the Assistant Secretary,
Office of Finance and Operations, and Chief Financial Officer

SUBJECT: Response to Office of Inspector General Draft Report,
"FY 2025 Management Challenges Facing the U.S. Department of Education"

We appreciate the opportunity to review the Office of Inspector General (OIG) draft report, *FY 2025 Management Challenges Facing the U.S. Department of Education* and would like to thank OIG for its communication and collaboration on management challenges during FY 2024.

The Department values the OIG's perspective on risks and vulnerabilities related to programs and operations. We appreciate OIG acknowledging the Department's progress in addressing management challenges by removing three of the seven FY 2024 challenges, as well as by recognizing our progress in addressing each of the remaining four challenges. Overall, the four challenges identified by OIG for FY 2025 are well-aligned with the Department's own assessment of enterprise risks and respective targeted management efforts.

Our coordination strategy to address OIG management challenges, adopted in FY 2023, was instrumental in achieving the success evidenced by removal of three challenges and our continued progress in addressing the remaining four challenges recognized in the draft report. We will continue to leverage this strategy – with its emphasis on identifying prioritized corrective actions in response to this report, tracking the status of those actions, and proactively communicating our progress to OIG – in our FY 2025 coordination efforts.

We look forward to continued communication and collaboration with OIG on these issues.

400 MARYLAND AVE., S.W., WASHINGTON, DC 20202
www.ed.gov

The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summarized report on the Department's financial statement audit and its management assurances. For more details, the auditors' report can be found beginning on page 90 and the Department's management assurances on page 41.

Summary of Financial Statement Audit

Audit Opinion: Disclaimer of Opinion
Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	1	0	1	1

Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting—Federal Managers' Financial Integrity Act (FMFIA) 2

Statement of Assurance: Modified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	1	0	0	0	0	1

The Department had 1 material weakness in the design and operation of the internal control over financial reporting.

Effectiveness of Internal Control Over Operations—FMFIA 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements—FMFIA 4

Statement of Assurance: Modified

Nonconformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Nonconformances	2	0	0	0	0	2

Compliance with Federal Financial Management Improvement Act of 1996 (FFMIA)

	Agency	Auditor
1. System Requirements	Lack of Compliance Noted	Lack of Compliance Noted
2. Federal Accounting Standards	Lack of Compliance Noted	Lack of Compliance Noted
3. U.S. Standard General Ledger at Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

Payment Integrity Information Act Reporting

Program outlays are classified into three payment type categories: proper payments, improper payments, and unknown payments. According to OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, an improper payment is a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; any payment that is not authorized by law; and any payment that does not account for credit for applicable discounts. OMB Circular A-123, Appendix C also defines an unknown payment as a payment that could either be proper or improper, but its propriety cannot be determined because of insufficient or lack of documentation. Low reported amounts of improper and unknown payments are reliable indicators of payment integrity.

The Department prioritizes payment integrity by implementing policies and controls over payment activities, aiming to minimize improper and unknown payments to ensure that the billions of dollars in federal funds it disburses annually are considered proper. Accordingly, the Department maintains a robust internal control framework that includes controls designed to help prevent, detect, and recover improper and unknown payments. In designing controls, the Department attempts to strike the right balance between making timely and accurate payments and ensuring that controls put in place are not too costly or overly burdensome and thereby deter intended beneficiaries from obtaining funds they are entitled to receive. Additionally, the Department must rely heavily on controls established by external entities that receive Department payments, including federal, state, and private organizations and institutions, because they further distribute funds received from the Department to subordinate organizations and individuals. Due to these third-party controls being outside of the Department's operational management, they present a higher risk to the Department, as evidenced by its root cause analysis. When control deficiencies are detected, either within the Department or at external entities, the Department seeks to identify their root causes, develop corrective action plans, and track corrective actions through to completion. Finally, to further promote payment integrity, the Department's Payment Integrity Monitoring Application (PIMA) helps identify anomalies in grants payment data, support investigations to validate improper payments, and address root causes.

Description of Risk-Susceptible and High-Priority Programs

In FY 2024, the Federal Pell Grant, William D. Ford Federal Direct Loan, and the Education Stabilization Fund (ESF) programs were designated as programs that are "susceptible to significant improper payments" (referred to as Phase 2 per OMB Circular A123, Appendix C guidance). The Federal Pell Grant program remains an OMB-designated high-priority program. The William D. Ford Federal Direct Loan program was last considered a high-priority program in FY 2022 but based on FY 2024 improper payment and unknown payment results, the Direct Loan program does not meet the threshold and is not considered a high-priority program for FY 2024.

The Department continues to emphasize payment integrity and minimizing improper and unknown payments in these important programs as required by OMB guidance. In FY 2024, the Department used statistically valid sampling and estimation methodologies to estimate the improper payment rates for the Pell Grant, Direct Loan, and ESF programs. The methodologies used for each of these programs are described in detail on the Department's **improper payments website**.

For a detailed breakdown of information on improper and unknown payment estimates, root causes, and corrective actions for the Pell Grant, Direct Loan, and ESF programs in FY 2024 and prior years, please visit **https://paymentaccuracy.gov.**

Federal Pell Grant Program

The Pell Grant Program, authorized under Title IV of the *Higher Education Act of 1965* (HEA), provides need-based grants to low-income undergraduate and certain post-baccalaureate students to promote access to postsecondary education. Grant funds can be disbursed directly to the school to be applied towards a student's costs, directly to the student, or a combination of both. A student is eligible to receive a Pell Grant if the student meets the requirements of an eligible student under 34 Code of Federal Regulations (CFR) Part 668. Students may use their grants at any participating postsecondary institution as established by 34 CFR Part 690 and further updated by the *Higher Education Reconciliation Act of 2005* (HERA) and the *Higher Education Opportunity Act of 2008* (Public Law 110-315) (HEOA).

William D. Ford Federal Direct Loan Program

The Direct Loan Program, added to HEA in 1993 by the *Student Loan Reform Act of 1993*, authorizes the Department to make loans through participating schools to eligible undergraduate and graduate students and their parents. A student is eligible to receive a Direct Loan if the student enrolls in a school that provides Direct Loans, and the student meets the requirements of an eligible student under 34 CFR Part 668. Eligible students may receive a Direct Loan in accordance with the annual and aggregate loan limits as established by 34 CFR Part 685.203 and further updated by HERA and HEOA.

Education Stabilization Fund Program (ESF)

The Education Stabilization Fund was established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in March 2020, with subsequent allocations to the Fund codified through the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSA Act) and the *American Rescue Plan* (ARP Act). The ESF is an investment of over $263 billion and is composed of relief funds that support state and institutional efforts to prevent, prepare for, and respond to the coronavirus impacts on our nation's students. Programs created under the ESF investment include Education Stabilization Fund Discretionary Grants; Governor's Emergency Education Relief Fund; Elementary and Secondary School Emergency Relief Fund, Homeless Children and Youth, Emergency Assistance to Non-Public School, Outlying Areas, Bureau of Indian Education; and Higher Education Emergency Relief Fund.

Risk Assessments

As required by OMB Circular A-123, Appendix C, the Department assesses the risk of improper payments at least once every three years for each program and activity with annual outlays over $10 million that do not report an improper payment estimate. In FY 2024, the Department conducted improper payment risk assessments of 20 non-FSA grant programs and 2 administrative activities. These assessments did not reveal any new programs or activities as being susceptible to significant improper payments. Additionally, the Department last conducted risk assessments of all FSA-managed programs in FY 2023, identifying no new programs as susceptible to significant improper payments. As per OMB A-123C requirements, the next risk assessment for FSA-managed programs is scheduled for FY 2026.

Identified and Recaptured Improper Payments

Agencies are mandated to conduct recovery audits for all programs and activities that expend more than $1 million in a fiscal year, provided these audits are cost-effective. However, the Department has concluded that payment recapture audits are not cost-effective for any of its loan and grant programs or contracts. For a detailed analysis of the cost-effectiveness of various recapture audit programs, refer to the **Department's FY 2012 Report on the Department of Education's Payment Recapture Audits.**

The Department identifies and recovers improper payments through alternative methods beyond payment recapture audits. It collaborates with grantees and Title IV (FSA) program participants to resolve and recover amounts identified in compliance audits, OIG audits, and Department-conducted program reviews. Additionally, the Department examines the return of grant funds from recipients to assess whether they are due to improper payments. Furthermore, when an improper payment is detected and deemed collectable, the Department establishes an account receivable and initiates collection efforts. Recoveries are achieved through grant program offsets, payroll adjustments, and other measures. Recipients of Department funds have the rights to appeal management's decisions regarding funds to be returned or may declare bankruptcy before the Department can collect, potentially delaying or reducing recoverable amounts. The Department has broad discretion to refrain from collecting improper payments from grantees if it determines that pursuing collections would harm federal interests. Consequently, not all identified improper payments will be collected, and collections may not occur in the same year the improper payments are identified.

For detailed information on identified and recovered improper payments in FY 2024, readers can visit **https://paymentaccuracy.gov.**

Sampling and Estimation Methodology Plan (S&EMP)

Pell Grant and Direct Loan Programs

In FY 2024, the Department used a statistically valid S&EMP to estimate improper and unknown payments for the Pell Grant and Direct Loan programs. This statistical methodology uses a random sample of annual compliance audits, with associated final audit determination (FAD) letters, if applicable, that cover approximately 5,400 eligible schools. A small number of schools may apply for and receive a waiver or exemption from the compliance audit requirements. FSA accounts for these disbursements through a statistically valid sampling process. In addition to the compliance audits and related data, the methodology also uses the Free Application for Federal Student Aid (FAFSA) Internal Revenue Service (IRS) Data Statistical Study ("Study") and the results of tests of Federal Family Education Loan to Direct Loan consolidations and Direct Loan refunds.

Education Stabilization Fund

In FY 2024, the Department used a statistically valid S&EMP to estimate improper and unknown payments for its risk-susceptible programs, the Education Stabilization

Fund (ESF) program. This statistical methodology employs a two-stage sample design. In the first stage, the drawdowns per program were stratified into five groups. The first stratum includes sub-grantees with 1 to 500 drawdowns, the second with 501 to 5,000 drawdowns, the third with 5,001 to 10,000 drawdowns, the fourth with over 10,000 drawdowns and the fifth consists of a list of payments totaling $60M due to an error in the original query.

For each stratum, samples were drawn using a Probability Proportional to Size (PPS) technique. This approach assigns higher selection probabilities to larger drawdowns to enhance estimate precision while reducing sample size requirements. The PPS selection was performed with replacement, allowing individual drawdowns to be selected multiple times. After selecting the drawdowns, the Department requested that State Educational Agencies or Institutions of Higher Education provide a list of all payments associated with each sampled drawdown. A plain language description of the methodology and results for each program is available on the Department's **improper payments website.**

Improper Payment Estimates

Pell Grant and Direct Loan Programs

Figure 14. FY 2024 Pell Grant Estimates (Dollars in Millions)

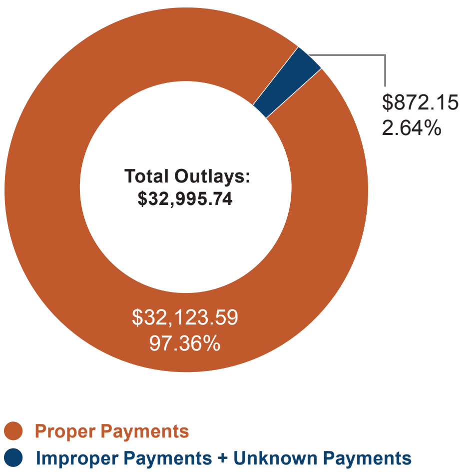
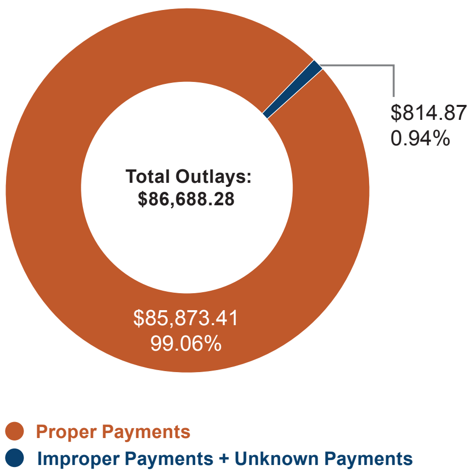


Figure 15. FY 2024 Direct Loan Estimates (Dollars in Millions)

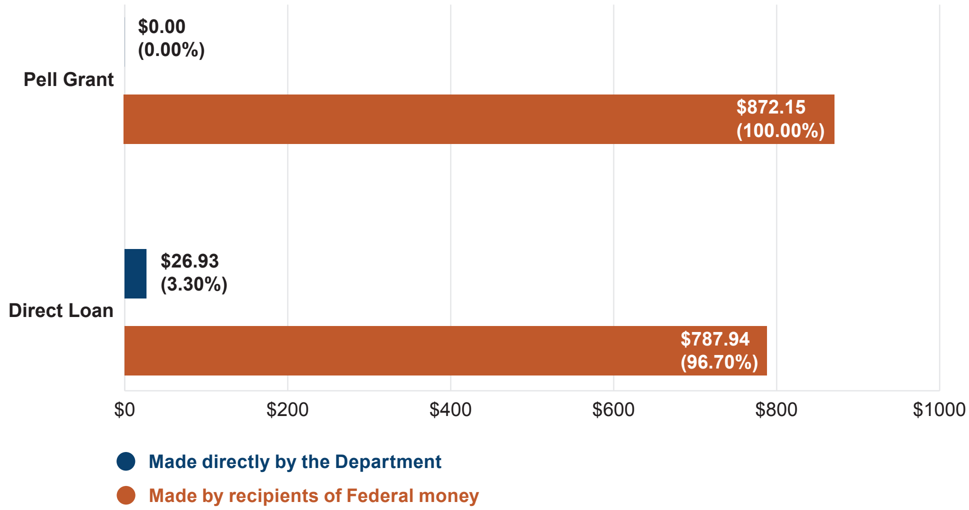


Note: The source of the FY 2024 Pell Grant and Direct Loan outlay amounts is FSA's Financial Management System (FMS).

The FY 2024 Pell Grant estimates include results from the Study which estimates Pell Grant improper payments rates based on a comparison between information reported by recipients of Pell Grant funds on the FAFSA and income details reported to the IRS. Rates from the Study are included in the Pell Grant improper payment estimate and categorized as a misreported income root cause. The misreported income root cause accounts for approximately 81 percent of the estimated FY 2024 Pell Grant improper payments.

Figure 16 summarizes the estimated improper payments made directly by the Department and the amount of improper payments made by recipients of federal money. For additional details, please refer to the **Root Cause Categories** section.

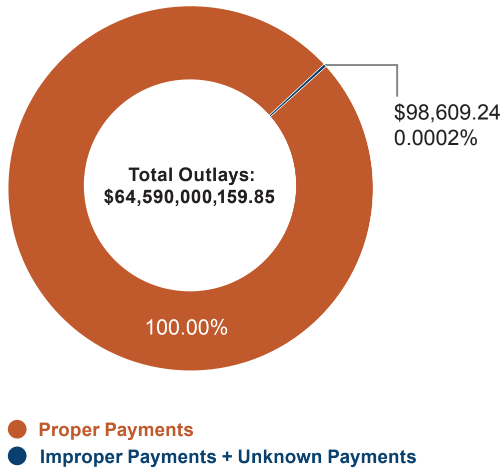
Figure 16. FY 2024 Sources of Improper Payments & Unknown Payments (Dollars in Millions)



Education Stabilization Fund

As shown in Figure 17, the FY 2024 study of ESF payments revealed an exceptionally low estimated improper payment rate of just 0.0002%, with no unknown payments. All of the improper payments identified were overpayments or underpayments due to rounding errors. This result highlights the ESF program's strong internal controls and effective oversight mechanisms, ensuring that funds are accurately disbursed to the intended recipients.

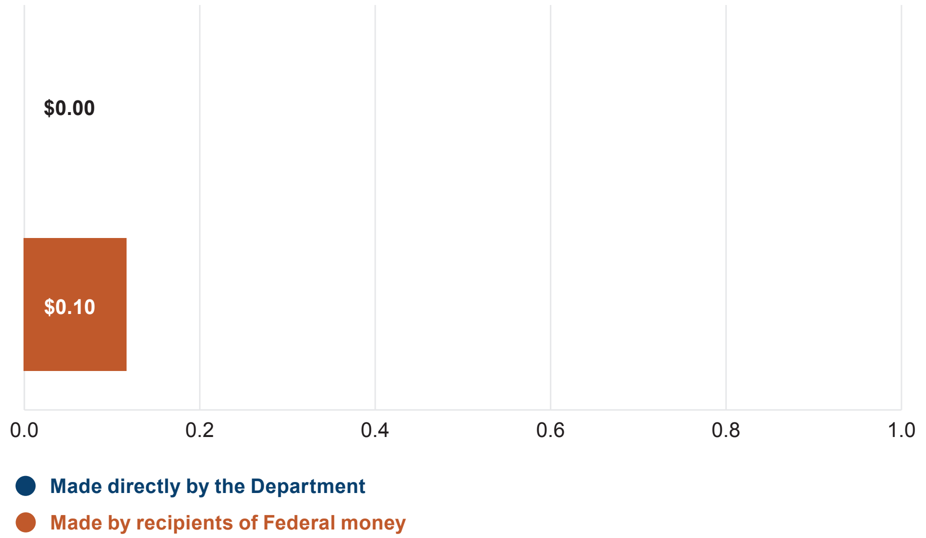
Figure 17. FY 2024 ESF Estimates (Dollars in Millions)



The FY 2024 ESF outlay amounts originate from the Department's Grants Management System (G5).

Figure 18 provides a summary of the estimated improper payments made directly by the Department, as well as those made by recipients of federal funds. For additional details, please refer to the **Root Cause Categories** section.

Figure 18. FY 2024 Sources of Improper Payments & Unknown Payments (Dollars in Millions)



Readers can obtain more detailed information on reporting improper payment and unknown payment estimates in FY 2024 and prior years at **https://paymentaccuracy.gov**.

Monetary Loss and Non-Monetary Loss

This section outlines the portion of the improper payment estimates attributed to monetary loss and non-monetary loss, as defined by OMB.

- **Monetary loss to the Federal Government:** An amount that should not have been paid and in theory should/could be recovered.
- **Non-monetary loss to the Federal Government:** Either an underpayment or a payment to the correct recipient for the correct amount where the payment process fails to follow applicable regulation and/or statute.

Pell Grant and Direct Loan Programs

Of the estimated monetary loss for the Pell Grant and Direct Loan programs, the majority is outside of the agency's control. As explained previously, the Department must rely heavily on controls established by external entities that receive Department payments, including federal, state, and private organizations and institutions, because they further distribute the funds they receive from the Department to subordinate organizations and individuals. These "third-party" controls are outside of the Department's operational control. Examples of root causes outside of the Department's operational control are defined further in the following section. The amounts of monetary and non-monetary loss for the Pell Grant and Direct Loan programs are reported in Table 13.

Table 13: FY 2024 Monetary and Non-Monetary Loss for Pell Grants and Direct Loans

Program	Reporting Category	Amount (Dollars in Millions)	Percentage of Improper Payment Estimate
Pell Grants	Estimated Monetary Loss to the Government	$458.55	52.58%
	Estimated Non-Monetary Loss to the Government	$402.97	46.20%
	Estimated Unknown Improper Payments	$10.63	1.22%
	Total	**$872.15**	**100.00%**
Direct Loans	Estimated Monetary Loss to the Government	$83.00	10.18%
	Estimated Non-Monetary Loss to the Government	$725.53	89.04%
	Estimated Unknown Improper Payments	$6.34	0.78%
	Total	**$814.87**	**100.00%**

Education Stabilization Fund

Table 14 presents the amounts of monetary loss and non-monetary loss for the ESF program.

As previously mentioned, the Department must depend significantly on controls set by external entities that received payments from the Department. These entities include federal, state, and private organizations and institutions, which further distribute the funds to subordinate organizations and individuals. Consequently, these "third-party" controls not within the Department's operational control.

Table 14: FY 2024 Monetary and Non-Monetary Loss for ESF

Program	Reporting Category	Amount (Dollars in Millions)	Percentage of Improper Payment Estimate
ESF	Estimated Monetary Loss to the Government	$0.10	99.80%
	Estimated Non-Monetary Loss to the Government	$0.00*	0.20%
	Estimated Unknown Improper Payments	$0.00	0.00%
	Total	**$0.10**	**100.00%**

* Actual amount is $0.0002 million.

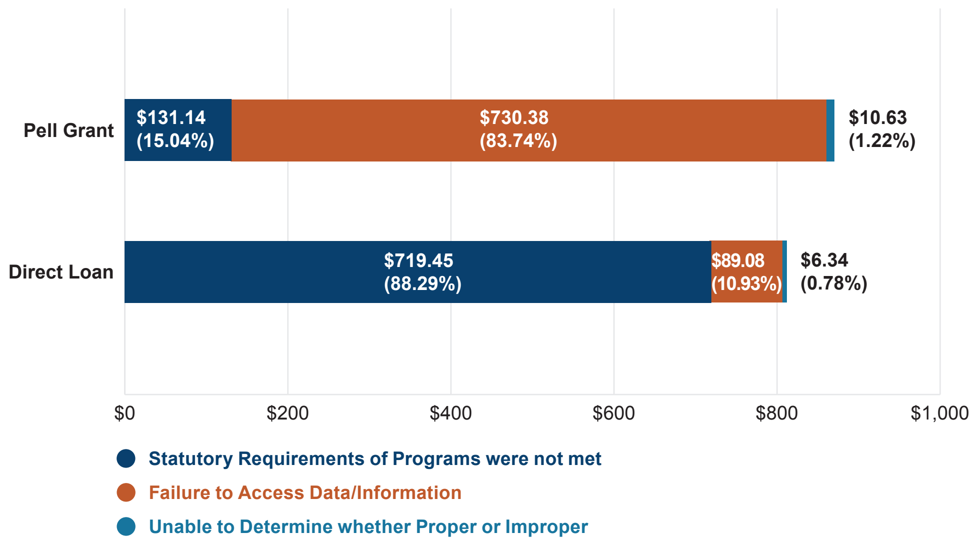
Root Cause Categories

The five root cause categories of error as defined in OMB Circular A-123, Appendix C (OMB Memorandum M-21-19) are: "Statutory Requirements of Program Were Not Met," "Failure to Access Data/Information," "Inability to Access Data/Information," "Data/Information Needed Does Not Exist," and "Unable to Determine Whether Proper or Improper."

Pell Grant and Direct Loan Programs

For the Pell Grant and Direct Loan programs, specific root causes associated with the "Statutory Requirements of Program Were Not Met" category include, but are not limited to, a school's failure to perform or properly complete verification, a school's failure to provide disbursement or return notifications to the student in a timely manner, professional judgment deficiencies, excess cash held by institution and not returned timely, untimely credit balance return to the Department, and inadequate documentation for meeting Satisfactory Academic Progress (SAP) standards. Specific root causes associated with the "Failure to Access Data/Information" category include, but are not limited to, misreported income, incorrect academic level or enrollment status used, a school's failure to observe annual eligibility limits, a school's failure to properly complete verification, incorrect financial aid determination, and incorrect decision to complete return of Title IV funds calculation. Specific root causes associated with the "Unable to Determine Whether Proper or Improper" category may include, but are not limited to inadequate tracking of student last date of attendance or withdrawal date, failure to resolve conflicting income information during verification, and lack of evidence to support a school completed required verification of information reported by an applicant on their FAFSA.

Figure 19. FY 2024 Root Causes of Improper Payments (Dollars in Millions)



Education Stabilization Fund

Figure 20 below presents the ESF program's estimated improper payments by root cause type. Some ESF payments were found to have minor rounding discrepancies due to either Excel rounding errors or inherent issues in the recipients' payment systems. These rounding discrepancies prevented a precise one-to-one match of payment data. As a result, the program reports an estimated improper payment rate of 0.0002%.

Figure 20. FY 2024 Root Causes of Improper Payments (Dollars in Millions)

ESF		
Root Cause	**Amount ($M)**	**% of Total**
Statutory Requirements of Programs Were Not Met	$0.00	0.00%
Failure to Access Data/Information	$0.00	0.00%
Inability to Access Data/Information	$0.00	0.00%
Data/Information Needed Does Not Exist	$0.10	100.00%
Unable to Determine whether Proper or Improper	$0.00	0.00%
Total	**$0.10**	**100.00%**

Corrective Actions

Pell Grant and Direct Loan Programs

The Department has established an integrated system of complementary oversight functions to help prevent, detect, and recover improper payments, and ensure compliance by all participating parties. FSA's Office of Partner Participation and Oversight (PPO) annually initiates 100+ program reviews of the approximately 5,400 eligible schools to assess institutions' compliance with Title IV regulations. PPO evaluates a school's compliance with federal requirements, assesses liabilities for errors in performance, and identifies actions the school must take to make the Title IV, HEA programs, or the recipients, whole for any funds that were improperly managed and to prevent the same problems from recurring. A school with serious violations may be placed on heightened cash monitoring (HCM) for disbursements, lose funding for specific programs, or be terminated from participation in all Title IV programs for noncompliance.

PPO monitors annual compliance audits of schools. A school that participates in any Title IV program must at least annually have a compliance audit of its administration of that program unless an allowable waiver or exemption has been granted or, for Single Audit filers, the Title IV programs (major program) have been determined low risk. Independent auditors perform the compliance audits to monitor schools' administration of FSA programs. If any deficiencies are identified, the school must develop a corrective action plan that addresses the audit report findings. Auditors are required to evaluate whether the school has taken appropriate corrective action to address findings and recommendations from prior audits. PPO also performs audit resolution. This includes reviewing and evaluating the effectiveness of a school's corrective action and mitigation efforts for noted exceptions in audit reports.

FSA continued to work with Treasury to implement the authorities provided in the *FUTURE Act*. FSA implemented the authorities provided in the *FUTURE Act* and *FAFSA Simplification Act* to significantly improve data authentication by enabling FSA to automatically receive certain federal tax information (FTI) from the IRS through a direct-data exchange with applicant approval and enabling customers to automatically report their income for the total and permanent disability (TPD) discharge post-monitoring, income-driven repayment (IDR), and FAFSA processes. Implementation improved reporting through, for example, modifying and simplifying the questions that students and their families have to answer on the FAFSA form.

The corrective actions listed below are specific to the root causes of improper payments identified from the FY 2024 improper payment fieldwork, and are tailored to reflect the unique processes, procedures, and risks involved with the Pell Grant and Direct Loan programs.

Table 15. Pell Grant and Direct Loan Improper Payment Corrective Actions

Corrective Action	Description of Actions Taken in FY 2024 and Planned for FY 2025	OMB Root Cause Category
Implement the authorities provided in the FUTURE Act to improve verification of applicants' and borrowers' income data.	In FY 2024, through the Student Aid and Borrower Eligibility (SABER) Initiative, FSA implemented the authorities and provisions provided in the FUTURE Act and FAFSA Simplification Act to streamline and strengthen the collection of data used to determine eligibility for student financial assistance. Specifically, FSA implemented the FAFSA Processing System (FPS) and Federal Tax Information (FTI) systems to automatically provide a student and families' federal tax information to FSA for the 2024–25 FAFSA form. This significantly improves data authentication by enabling FSA to automatically receive certain FTI from the IRS through a direct-data exchange with applicant approval and enabling customers to automatically report their incomes for the total and permanent disability (TPD) discharge post-monitoring, income-driven repayment (IDR), and FAFSA processes. Implementation also improves reporting through, for example, modifying the questions that students and their families have to answer on the FAFSA form and requiring ED to conduct early awareness and outreach of student aid eligibility. FSA expects that full implementation of the authorities provided in the FUTURE Act will significantly reduce, or eliminate, improper payments due to applicants misreporting income on the FAFSA. In FY 2025, FSA will continue to implement the FUTURE Act FAFSA solution for students and families with individual taxpayer identification numbers (ITINs) during the 2026–27 FAFSA cycle.	Failure to Access Data/Information
Continue to utilize and promote the IRS Data Retrieval Tool (DRT). Enhance verification procedures.	In FY 2024, FSA monitored usage of the IRS DRT. As of September 2024, FSA will no longer be using the IRS DRT to drive applicants to import over their FTI to the FAFSA. FSA implemented the FPS and FTI systems to automatically provide a student and families' federal tax information to FSA for the 2024–25 FAFSA form.	
Publish and deliver guidance, training, and other resources for institutions processing financial aid that address (1) verification errors; (2) administrative and process errors; and (3) documentation errors frequently made by schools.	In FY 2024, FSA published and delivered various free trainings, guidance, and resources for school financial aid administrators to target the root causes of improper payments and other frequently identified compliance issues. For example, FSA published the 2023-2024 FSA Handbook and FSA Assessments, which provide guidance on FAFSA and verification requirements. FSA also published updates to questions and answers about verification requirements to help clarify verification requirements and reduce the risk of verification deficiencies. FSA also held the FSA Training Conference for Financial Aid Professionals, which received positive feedback from financial aid administrators. In FY 2025, FSA will continue to publish and deliver various free trainings, guidance, and resources for school financial aid administrators to target the root causes of improper payments and unknown payments and other frequently identified compliance issues. For example, FSA will continue to publish the FSA Handbook, FSA Assessments, and updates to questions and answers about verification requirements to help clarify verification requirements and reduce the risk of verification deficiencies. FSA is coordinating internally to ensure relevant offices within FSA participate in the planning for the FY 2025 FSA Training Conference to ensure key objectives and milestones are met. FSA will host the FY 2025 FSA Training Conference in FY 2025 Q1.	(1) Failure to Access Data/Information (2) Statutory Requirements of Program Were Not Met (3) Unable to Determine Whether Proper or Improper
Evaluate schools' compliance with federal student aid requirements, assess liabilities for errors in performance, and identify actions schools must take to make the Title IV, HEA programs (Pell Grant and Direct Loan program), or the recipients, whole for any funds that were improperly managed as part of the program review, Single Audit, and/or audit process conducted in accordance with the Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs.	In FY 2024, FSA evaluated schools' compliance with federal student aid requirements through oversight activities, such as program reviews and compliance audits, and assessed liabilities for errors in performance. For improper payments identified through oversight activities, such as compliance audits and program reviews, FSA established accounts receivable and pursued collection for those deemed collectible, including applicable overpayments. For additional information on actions taken to recover overpayments, please see paymentaccuracy.gov. In FY 2025, FSA will continue to evaluate schools' compliance with federal student aid requirements through oversight activities, such as program reviews and compliance audits, and will assess liabilities for errors in performance. For future improper payments identified through oversight activities, such as compliance audits and program reviews, FSA will continue to establish accounts receivable and pursue collection for those deemed collectible, including applicable overpayments.	

Education Stabilization Fund

OMB Circular A-123, Appendix C, does not require the Department to implement corrective actions for the ESF program due to the exceptionally low estimated improper payment rate of just 0.0002 percent.

Civil Monetary Penalty Adjustment for Inflation

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. To improve compliance with the act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information section the most recent inflationary adjustments to civil monetary penalties to ensure penalty adjustments are both timely and accurate.

Location for Penalty Update Details:

https://www.federalregister.gov/documents/2024/01/25/2024-01449/adjustment-of-civil-monetary-penalties-for-inflation

Table 16

Penalty	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level
Failure to provide information for cost of higher education	20 USC 1015(c)(5)	01-30-23	01-25-24	$46,901
Failure to provide information regarding teacher-preparation programs	20 USC 1022d(a)(3)	01-30-23	01-25-24	39,065
Violation of Title IV of the HEA	20 USC 1082(g)	01-30-23	01-25-24	69,733
Violation of Title IV of the HEA	20 USC 1094(c)(3)(B)	01-30-23	01-25-24	69,733
Failure to disclose information to minor children and parents	20 USC 1228c(c)(2)(E)	01-30-23	01-25-24	2,058
Improper lobbying for government grants and contracts	31 USC 1352(c)(1) and c(2)(A)	01-30-23	01-25-24	24,496 to 244,958
False claims and statements	31 USC 3802(a)(1) and (a)(2)	01-30-23	01-25-24	13,946

Climate Related Financial Risk

The White House currently requires that federal agencies publish various plans and reports regarding climate, sustainability, and environmental justice. This year, the Department published the 2024-2027 Climate Adaptation Plan. This new plan looks at every available tool the Department has at its disposal to prioritize equitable access to healthy, safe, sustainable, 21st-century learning environments and sustainability learning that equips students to face the challenges of the future.

For more information, see the **Department's Infrastructure and Sustainability page**.

The Grants Oversight and New Efficiency Act of 2016 (GONE Act) and Education's Grant Closeout Process

The goal of the *Grants Oversight and New Efficiency (GONE) Act of 2016* (Pub. L. No. 114-117) was to close out grants and cooperative agreements that are in manual closeout with zero dollars and undisbursed balances and whose period of performance has exceeded two years. Although the Grants Oversight and New Efficiency Act reporting requirements have expired, the Office of Management and Budget Circular A-136, Section II.4.9, Grants Programs (August 10, 2021) requires similar information to be reported in the Other Information section. See Table 17 below.

Starting with an October 3, 2016, baseline of 8,948 grants and cooperative agreements totaling approximately $2 billion in various statuses of the closeout process, the Department succeeded in closing out 100 percent of the required grants and cooperative agreements during FY 2018. As of October 1, 2024, the Department had 3,872 grants and cooperative agreements totaling approximately $159.1 million in various statuses of the closeout process.

In FY 2020, the Department's Office of Inspector General (OIG) performed a risk assessment of the Department's grant closeout process and issued their results via memorandum. They identified risks with the reliability of grant data and related *GONE Act* reporting, as well as the Department's grant closeout policies and procedures, including a policy allowing older grants to be closed in compliance without required reports being provided by the grantee. In addition, the OIG found that both the volume of expired grants and amount of undisbursed grant funds significantly increased between the date of initial *GONE Act* reporting (September 30, 2017) and January 30, 2020, indicating that grant closeout is less of a focus now that *GONE Act* reporting is over. The memorandum is available at **S19U0002 - Risk Assessment of the Department's Grant Closeout Process**.

Overall, the Office of Finance and Operations (OFO) agreed with the OIG assessment and noted its intention to move forward with grant policy deliberation consistent with the results of the assessment. Approved in August 2023, the Handbook for the Discretionary Grants Process (**Handbook**) includes policy requirements that align with the OIG recommendations. (6.16.1) (A) (3)

Each year, the Office of Grants Management (OGM) offers a financial monitoring curriculum for formula and discretionary grants aligned with the *Standards for Financial Management* in 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, addressing cash management and drawdown activity of grantees' utilization of funds consistent with an approved scope of work aimed at reducing issues associated with grant closeouts.

Table 17

Category	2–3 Years	3–5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	3,153	8	-
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	701	10	-
Total Amount of Undisbursed Balances	$117,007,872	$42,121,493	-

Source: G5, grants management system linked to the Department's general ledger system. Data is based on the performance end date of September 30, 2021.

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Appendices

(Unaudited)

Appendix A: Selected Department Web Links and Education Resources

Raise the Bar Student Success Playbook

This playbook focuses on four key tactics that institutions can consider using to promote data-driven inquiry and continuous improvement on their campuses. **https://www2.ed.gov/about/inits/ed/raise-the-bar/rtb-data-playbook-062624.pdf**

College Cost Lists

The Department provides college affordability and transparency lists under the *Higher Education Opportunity Act of 2008*. Each list is broken out into nine different sectors to allow students to compare costs at similar types of institutions, including career and technical programs. **https://collegecost.ed.gov/affordability**

College Financing Plan

The College Financing Plan is a consumer tool that participating institutions use to notify students about their financial aid packages. It is a standardized form that is designed to simplify the information that prospective students receive about costs and financial aid so that they can easily compare institutions and make informed decisions about where to attend school. **https://www2.ed.gov/policy/highered/guid/aid-offer/index.html**

College Navigator

College Navigator consists of the latest data from the Integrated Postsecondary Education Data System, and the core postsecondary education data collection program for the National Center for Education Statistics, as well as data from Federal Student Aid on cohort default rates, the Office of Postsecondary Education on campus safety and accreditation, and information on veterans from the Veterans Benefits Administration. **https://nces.ed.gov/collegenavigator/**

College Preparation Checklist

This Department tool gives prospective college students step-by-step instructions on how to prepare academically and financially for education beyond high school. Each section is split into subsections for students and parents, explaining what needs to be done and which publications or websites might be useful to them. **https://studentaid.gov**

These additional resources within the checklist assist students in finding scholarships and grants:

https://studentaid.gov/resources/prepare-for-college/checklists

https://studentaid.gov/sa/types/grants-scholarships/finding-scholarships

College Scorecard

The Department's College Scorecard makes it easier to find out more about a college's affordability and value. The College Scorecard continues to be a tool that provides clear, accessible, and reliable data on college cost, graduation, debt, and post-college earnings. The College Scorecard continues to move the field forward in informing college choices with the help of technology and open data, making it possible for anyone—a student, a school, a policymaker, or a researcher—to decide which factors to evaluate. **https://collegescorecard.ed.gov/**

Condition of Education and Digest of Education Statistics

The Condition of Education is a congressionally mandated annual report that summarizes developments and trends in education using the latest available statistics. The report presents statistical indicators containing text, figures, and data from early learning through graduate-level education, as well as labor force outcomes and international comparisons. **https://nces.ed.gov/programs/coe/**

The primary purpose of the Digest of Education Statistics is to provide a compilation of statistical information covering the broad field of American education from prekindergarten through graduate school. The digest includes a selection of data from many sources, both government and private, and draws especially on the results of surveys and activities carried out by the National Center for Education Statistics. **https://nces.ed.gov/programs/digest/**

Education Resources Information Center

The Department offers Education Resources Information Center (ERIC)—the world's largest free, digital library of education research. It is composed of more than 2 million bibliographic records and nearly 500,000 full-text materials indexed from 1966 to the present. Each ERIC bibliographic record contains an abstract of a journal article or grey literature document (for example, a technical report or conference paper), along with such indexed information as author, title, and publication date. **https://eric.ed.gov**

Federal Program Inventory

The *GPRA Modernization Act of 2010*, **P.L. 111-352**, requires that the Office of Management and Budget (OMB) establish a single website with a central inventory of all federal programs, including the purpose of each program and its contribution to the mission and goals of the Department. The initial Federal Program Inventory was published in May 2013. The Department described each program within 27 budgetary accounts, as well as how the programs support the Department's broader strategic goals and objectives.

Since that time, Congress passed the *Digital Accountability and Transparency Act of 2014* (DATA Act) requiring new public reporting requirements, which impact the definition of programs used in this guidance. OMB is currently working with agencies to merge the implementation of the DATA Act and the Federal Program Inventory requirements to the extent possible to avoid duplicate efforts. In December 2020, OMB launched an exploratory pilot as the next step towards creating a coherent and comprehensive inventory. This site provides the history of the Federal government's efforts to create an inventory as well as key insights, data from the pilot, and planned next steps. **https://fpi.omb.gov/**

Government Accountability Office

The Government Accountability Office (GAO) supports Congress in meeting its constitutional responsibilities and helps improve the performance and accountability of the federal government for the benefit of the American people. **https://www.gao.gov/agencies/department-education**

Grants Information and Resources

In addition to student loans and grants, the Department offers other discretionary grants. These are awarded using a competitive process, and formula grants use formulas determined by Congress with no application process. This site lists Department discretionary grant competitions previously announced, as well as those grant competitions planned for later announcement, for new awards organized according to the Department's principal program offices. **http://www2.ed.gov/fund/grant/find/edlite-forecast.html**

For more information on the Department's programs, see **http://www2.ed.gov/programs**

National Assessment of Educational Progress

The National Assessment of Educational Progress (NAEP) assesses samples of students in grades 4, 8, and 12 and at ages 9, 13, and 17 in various academic subjects. Results of the assessments are reported for the nation and, for some subjects and grades, states and selected large urban school districts that participate in the Trial Urban District Assessment (TUDA) in terms of comparable scale scores and achievement levels—*NAEP Basic, NAEP Proficient*, and *NAEP Advanced*. **https://nces.ed.gov/nationsreportcard/**

Office of Inspector General

The Office of Inspector General (OIG) conducts independent and objective audits, investigations, inspections, and other activities to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. **https://oig.ed.gov/**

For a list of recent reports, go to **https://oig.ed.gov/reports/list**

One-Stop Shopping for Student Loans

The Department provides a site where students can manage their loans. **http://studentaid.gov/**

Performance Data

ED*Facts* is a Department initiative to put performance data at the center of policy, management, and budget decisions for all K–12 educational programs. ED*Facts* centralizes performance data supplied by K–12 state educational agencies with other data assets within the Department, such as financial grant information, to enable better analysis and use in policy development, planning, and management. **http://www.ed.gov/about/inits/ed/edfacts/index.html**

Projections of Education Statistics to 2028

For the 50 states, jurisdictions, and the District of Columbia, the tables, figures, and text in this report contain data on projections of public elementary and secondary enrollment and public high school graduates to the year 2028. The report includes a methodology section that describes the models and assumptions used to develop national and state-level projections. **https://nces.ed.gov/pubs2020/2020024.pdf**

Regional Educational Laboratory Program

The Department administers the Regional Education Laboratory (REL) program to support the use of research and evidence to help states and school districts improve their education programs and, ultimately, student performance. To do this, each regional REL contractor works with teachers, administrators, and policy makers to identify "high-leverage" problems of practice and to build the research capacity of local stakeholders. Each REL develops partnerships with state- and local-level education agencies to gather and analyze data, conduct evaluations, and provide technical assistance that addresses these "high-leverage" problems. **https://ies.ed.gov/rels**

Resources for Adult, Career, and Technical Education

The Department continues to support state and local efforts to implement high-quality secondary and postsecondary career and technical education programs under the nation's $1.3 billion investment in funding under the *Carl D. Perkins Career and Technical Education Act* (Perkins V). Among the Department's efforts is hosting the Perkins Collaborative Resource Network (PCRN) website that provides a one-stop shop for information, resources, and data pertaining to Perkins V CTE programs. The PCRN website provides individual state profiles containing Perkins V State Plans, fiscal information, and accountability data; tools and resources from Department-sponsored national activities investments; and a Perkins V data explorer where users can run reports on trends in student participation and outcomes in CTE programs. **https://cte.ed.gov**

To support the *Workforce Innovation and Opportunity Act* (WIOA), the Department offers professional development resources through the Literacy Information and Communication System (LINCS). This initiative seeks to expand evidence-based practice in the field of adult education and literacy. LINCS serves as the Office of Career, Technical, and Adult Education's (OCTAE) primary outreach and dissemination mechanism to adult educators and provides high-quality, on-demand educational opportunities to practitioners of adult education and literacy, so those practitioners can help adult learners successfully transition to postsecondary education and 21st-century jobs. LINCS is comprised of: the LINCS Resource Collection, which provides online access to high-quality, evidence-based materials and instructional resources; the LINCS Community, a virtual professional learning space where adult educators can engage in discussions focused on critical topics to the field of adult education; a Learning Portal that offers anytime, anywhere professional development courses; a Professional Development Center that provides technical assistance to states in meeting the state leadership requirements set forth in WIOA; and the Learner Center, which provides access to federally developed or federally reviewed resources to assist adult learners in reaching their learning goals. **http://lincs.ed.gov/**

What Works Clearinghouse Practice Guides for Educators

The Department offers practice guides and other resources that help educators address everyday challenges faced in classrooms and schools. Developed by a panel of nationally recognized experts, practice guides consist of actionable recommendations and strategies for overcoming potential roadblocks. The practice guides also provide indication of the strength of evidence supporting each recommendation. The guides themselves are subjected to rigorous external peer review. Users can sort by subject area, academic level, and intended audience to find the most recent, relevant, and useful guides. **https://whatworks.ed.gov**

Appendix B: Glossary of Acronyms and Abbreviations

ABCP	Asset-Backed Commercial Paper
AFR	*Agency Financial Report*
AGA	Association of Government Accountants
AP	Acquisition Plan
APGs	Agency Priority Goals
APR	Annual Performance Report
ARP	*American Rescue Plan Act of 2021*
ARP ESSER	American Rescue Plan Elementary and Secondary School Emergency Relief
BIE	Bureau of Indian Education
BOD	Binding Operational Directive
BPO	Business Process Operations
CARES	*Coronavirus Aid, Relief, and Economic Security Act of 2020*
CISA	Cybersecurity and Infrastructure Security Agency
COVID-19	Coronavirus Disease 2019
CPSS	Contracts and Purchasing Support System
CRRSAA	*Coronavirus Response and Relief Supplemental Appropriations Act of 2021*
CSF	Cyber Security Framework
CSRS	Civil Service Retirement System
CTE	Career and Technical Education
DATA Act	*Digital Accountability and Transparency Act of 2014*
DCC	Digital and Customer Care
DCIA	*Debt Collection Improvement Act of 1996*
DDB	Death, Disability, and Bankruptcy
Department	U.S. Department of Education
DGB	Data Governance Board
DHS	U.S. Department of Homeland Security
Direct Loan	William D. Ford Federal Direct Loan
DL	Direct Loan

DLP	Data Loss Prevention
DMA	Data Maturity Assessment
DOL	U.S. Department of Labor
DQP	Data Quality Plan
EAI	Emergency Assistance to Institutions of Higher Education
EANS	Emergency Assistance to Non-Public Schools
ECASLA	*Ensuring Continued Access to Student Loans Act of 2008*
EDARM	Division of Enterprise Data Analytics and Risk Management
EDCAPS	Education Central Automated Processing System
EGP	Education Grants Platform
EIA	Emergency Impact Aid
EIR	Education Innovation and Research
ELG	Evidence Leadership Group
Emergency Impact Aid	Temporary Emergency Impact Aid for Displaced Students
EO	Executive Order
ERIC	Education Resources Information Center
ERM	Enterprise Risk Management
ERMWG	Enterprise Risk Management Working Group
ESEA	*Elementary and Secondary Education Act*
ESF	Education Stabilization Fund
ESSA	*Every Student Succeeds Act*
ESSER	Elementary and Secondary School Emergency Relief
FAFSA®	Free Application for Federal Student Aid
FASAB	Federal Accounting Standards Advisory Board
FCRA	*Federal Credit Reform Act of 1990*
FECA	*Federal Employees' Compensation Act*
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFEL	Federal Family Education Loan
FFMIA	*Federal Financial Management Improvement Act of*

	1996
FIPSE	Fund for the Improvement of Postsecondary Education
FISMA 2014	*Federal Information Security Modernization Act of 2014*
FMFIA	*Federal Managers' Financial Integrity Act of 1982*
FMSS	Financial Management Support System
FR	Financial Report of the U.S. Government
FSA	Federal Student Aid
FUTURE Act	*Fostering Undergraduate Talent by Unlocking Resources for Education Act*
FY	Fiscal Year
G5	Grants Management System
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GEER	Governor's Emergency Education Relief
GONE Act	*Grants Oversight and New Efficiency Act of 2016*
GPO	Grants Policy Office
GPRA	*Government Performance and Results Act of 1993*
GSA	General Services Administration
HBCUs	Historically Black Colleges and Universities
HEA	*Higher Education Act of 1965*
HEAL	Health Education Assistance Loan
HEERF	Higher Education Emergency Relief Fund
HHS	U.S. Department of Health and Human Services
HTTPS	Hypertext Transfer Protocol Secure
IDEA	*Individuals with Disabilities Education Act*
IDR	Income-Driven Repayment
IEP	Individualized Education Program
IES	Institute of Education Sciences
IHE	Institutions of Higher Education
IPP	Invoice Processing Platform
IPERA	*Improper Payments Elimination and Recovery Act of 2010*
IPERIA	*Improper Payments Elimination and Recovery Improvement Act of 2012*
IQA	Information Quality Act
IRS	Internal Revenue Service

IT	Information Technology
LEAs	Local Educational Agencies
LINCS	Literacy Information and Communication System
MSIs	Minority Serving Institutions
NAEP	National Assessment of Educational Progress
NCES	National Center for Education Statistics
Next Gen FSA	Next Generation Federal Student Aid
NIST	National Institute of Standards and Technology
NSLDS®	National Student Loan Data System
OCDO	Office of the Chief Data Officer
OCIO	Office of the Chief Information Officer
OCR	Office for Civil Rights
OCTAE	Office of Career, Technical, and Adult Education
ODP	Open Data Platform
OELA	Office of English Language Acquisition
OESE	Office of Elementary and Secondary Education
OFM	Office of Financial Management
OFO	Office of Finance and Operations
OGC	Office of the General Counsel
OGM	Office of Grants Management
OHR	Office of Human Resources
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
OPEN	Open, Public, Electronic and Necessary
OPEPD	Office of Planning, Evaluation, and Policy Development
OPM	Office of Personnel Management
OS	Office of the Secretary
OSERS	Office of Special Education and Rehabilitative Services
P–12	Prekindergarten Through 12th Grade
Pell	Federal Pell Grant
PEPS	Postsecondary Education Participants System
PIIA	*Payment Integrity Information Act of 2019*

PIMA	Payment Integrity Monitoring Application
PIV	Personal Identity Verification
PLUS	Parent Loan for Undergraduate Students
POC	Principal Office Component
POA&M	Plan of Actions & Milestones
PPS	Probability Proportional to Size
President's Budget	*Budget of the United States Government*
PSLF	Public Service Loan Forgiveness
REL	Regional Educational Laboratory
Report and Plan	Annual Performance Report and Annual Agency Performance Plan
RESTART	Immediate Aid to Restart School Operations
SAVE	Saving on a Valuable Education
SBR	Statement of Budgetary Resources
SEAs	State Educational Agencies
SEAC	Student Engagement and Attendance Center
S&EMP	Sampling and Estimation Methodology Plan
SSA	Social Security Administration
STEM	Science, Technology, Engineering, and Mathematics
TCUs	Tribal Colleges and Universities
TCCUs	Tribally Controlled Colleges and Universities
TEACH	Teacher Education Assistance for College and Higher Education Grant
TEPSLF	Temporary Expanded Public Service Loan Forgiveness
Title I	Title I, Part A
Title IV	Title IV of the Higher Education Act of 1965
TOP	Treasury Offset Program
TPD	Total and Permanent Disability
Treasury	U.S. Department of Treasury
USDS	Unified Servicing and Data Solution
VDP	Vulnerability Disclosure Policy
VM	Vulnerability Management
WIOA	*Workforce Innovation and Opportunity Act*

Acknowledgments

This *Agency Financial Report* was produced with the energies and talents of our employees and contract partners.

Within the Office of Finance and Operations (OFO), the Office of Financial Management is responsible for certifying, processing, reconciling, evaluating, and reporting all agency financial transactions; preparing annual financial statements and related notes and schedules; and coordinating the external audit of the agency's financial statements.

The Office of Budget Service has lead responsibility for multiple functions, including developing and implementing the Department's Budget. The Office of Grants Management (OGM) develops, manages, and provides policy guidance and oversight of the Department's grant management activities and operations.

The Office of Acquisitions Management provides leadership strategically focused on delivering better outcomes, driving behavior changes, and implementing innovative solutions for improved program performance leading to ED mission success.

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Other Contributors

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The FY 2024 Agency Financial Report

U.S. Department of Education
Office of Finance and Operations

An electronic version is available
on the World Wide Web at
http://www2.ed.gov/about/reports/annual/index.html

U.S. Department of Education, November 2024

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Our Mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

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